



**Brighton & Hove
City Council**

**COUNCIL
ADDENDUM**

SUPPORTING DOCUMENTS

4.30PM, THURSDAY, 18 OCTOBER 2018

COUNCIL CHAMBER, HOVE TOWN HALL

SUPPORTING PAPERS

ITEM		Page
33 (A)	OPTIONS FOR FUTURE DELIVERY OF HOUSING REPAIRS PLANNED MAINTENANCE AND CAPITAL WORKS Report of the Executive Director for Neighbourhoods, Communities & Housing (copy attached).	5 - 268

Subject:	The future delivery of responsive repairs and empty property refurbishments, planned maintenance and improvement programmes and major capital projects to council housing stock		
Date of Meeting:	26 th September 2018 – Housing & New Homes Committee 11th October 2018 – Policy, Resources & Growth Committee		
Report of:	Executive Director for Neighbourhoods, Communities & Housing		
Contact Officer:	Glyn Huelin	01273 293306	
	Name: Martin Reid	Tel: 01273 293321	
	Sharon Davies	01273 291295	
	Email:	Glyn.Huelin@brighton-hove.gov.uk	
		Martin.Reid@brighton-hove.gov.uk	
		Sharon.Davies@brighton-hove.gov.uk	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report sets out recommendations for the future delivery of responsive repairs and empty property refurbishments, planned maintenance and improvement programmes and major capital projects to council housing stock following the expiry of the current contractual arrangements in March 2020.
- 1.2 The council's Housing department currently operates a ten year term partnering contract with Mears Limited under which the following services and works are provided for the council's housing stock:
- Responsive repairs and empty property refurbishments
 - Planned maintenance and improvement programmes
 - Major capital projects
- 1.3 The services and works detailed in this paper are predominantly delivered to the council's housing stock of approximately 11,550 tenanted homes and 2,900 leasehold properties. They are also delivered to properties managed by Brighton & Hove Seaside Community Homes and to properties leased by the

council to provide temporary accommodation. A detailed list of the council's current housing stock is attached as Appendix 1.

- 1.4 A report initiating the programme to explore the options available for the future delivery of services and works to the council's housing stock ('the programme') was taken to Housing & New Homes Committee and Policy, Resources & Growth Committee in March 2018. A further report setting out delivery options and providing further detailed information was provided to both committees in June 2018.
- 1.5 Both reports identified that in order for the services and works to be effectively delivered from April 2020 a decision on the preferred option or options for their future delivery is needed from the Housing & New Homes Committee in September and from Policy, Resources & Growth Committee in October 2018.
- 1.6 Regular engagement with members has also been undertaken through the Members Procurement Advisory Board (PAB) with the additional attendance of lead members for Housing from each political party.
- 1.7 Feedback from numerous stakeholders has enabled the council's programme team to develop a set of clear strategic objectives for the future delivery of the services and works as follows:
 - Excellent customer service including the ability to self-serve and greater direct customer access to services
 - A strong focus on pro-active maintenance of existing assets
 - Increased transparency, control and accountability around cost, programme information and quality assurance
 - Demonstration of value for money combined with the inclusion of social value requirements in order to secure added economic, social or environmental benefits for the local area.
- 1.8 For consistency this report uses the terms "responsive repairs and empty property refurbishments", "planned maintenance and improvement programmes" and "major capital projects" to describe the three main areas of services and works provided to council housing stock. A list of the current services and works included under each area and approximate annual expenditure is detailed in Appendix 2. This report set out recommendations for the future delivery of all the services and works currently carried out.

2. RECOMMENDATIONS:

That Housing & New Homes Committee recommends to Policy, Resources & Growth Committee that it:

Customer service and quality assurance

- 2.1 Agrees that the customer service and quality assurance services are brought in-house and delivered by the council following the expiry of the current contractual arrangements;

Responsive repairs and empty property refurbishments

- 2.2 Agrees that responsive repairs and empty property refurbishments works to council housing stock are brought in-house and delivered by the council following the expiry of the current contractual arrangements;
- 2.3 Approves a 'set-up and mobilisation' budget of £0.112m for 2018/19 funded by an in-year virement transferring this budget from the capital financing costs budget in the Housing Revenue Account (HRA) and the creation of an earmarked 'set up and mobilisation' reserve of £0.982m for use in 2019/20 funded from HRA general reserves;

Planned maintenance and improvement programmes

- 2.4 Approves the procurement of at least one contract for the provision of planned maintenance and improvement programmes to council housing stock with a term of five years with the option to extend for up to a further two years;

Major capital projects

- 2.5 Approves the procurement of a multi- contractor framework agreement for major capital projects with a term of four years;

Specialist works

- 2.6 Notes that the specialist works will continue to be delivered through individual contracts, with reports coming back to committee for authority to procure and award such contracts if required in accordance with the council's Constitution;

Delegation

- 2.7 Grants delegated authority to the Executive Director Neighbourhoods, Communities & Housing to:

- (i) commence the procurements and award the contracts required to implement the recommendations;
- (ii) use the 'set-up and mobilisation' budget to create and appoint to new roles to enable these recommendations to be delivered;
- (iii) award call-off contracts under the major capital projects framework agreement; and
- (iv) take any other steps necessary to implement the recommendations in this report.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 Strategic Context

3.2 A number of Corporate, Citywide and Housing strategies are relevant to this programme. Key priorities within these strategies which have been taken into account in order to inform the recommendations set out in this report are detailed below:

3.3 The Housing Strategy

This strategy details the vision and priorities for the housing service across the council. Key to this programme is priority two - Improving Housing Quality, and specifically to continue to improve council housing sustainability standards.

3.4 The Housing Asset Management Strategy

This strategy details how the council ensures that it aligns its assets with the current and future needs of residents. Key to this programme is priority one – Investing in Homes and Neighbourhoods. This includes the following:

- Commitment to a high quality and affordable repairs and maintenance service
- Ensuring health and safety for residents, visitors and staff
- Commitment to improving energy efficiency, health and wellbeing
- Adapting homes to help enable residents to continue to enjoy them
- Achieving value for money and social value
- Reviewing assets to ensure long term viability

3.5 The HRA Energy Strategy

This strategy details our commitment to improving energy efficiency, health and wellbeing for residents and staff.

3.6 Current contract arrangements

- 3.7 The council entered into a Term Partnering Contract with Mears Limited in April 2010 to provide repairs, refurbishments and improvements for the council's Housing Revenue Account stock across the city (the 'TPC'). The TPC includes requirements in relation to meeting the government's Decent Homes standard, improving service delivery and generating savings for the council.
- 3.8 During the term of the TPC achievements have included the following: 100% of the council's homes reaching the government's Decent Homes Standard; significant investment has been made in the council's housing stock through programmes of planned and major works; and, savings have been delivered for the council.
- 3.9 The main objectives of the TPC are five-fold:
- Improved Value for Money: reduce unit repair and planned maintenance costs and consultancy fees delivering significant financial savings;
 - Improving residents' homes: ensuring that residents' homes are well maintained and meet the Brighton & Hove Standard (exceeding the Decent Homes Standard);
 - Improved service delivery: providing excellent customer service, getting repairs 'right first time' and demonstrating high levels of customer satisfaction;
 - Improved sustainability: a service which has minimal impact on the environment, and improves the energy efficiency and sustainability of the housing stock; and
 - Community regeneration and added value: bringing additional benefits for local communities (e.g. apprenticeships & community initiatives) and supporting established local businesses.
- 3.10 In June 2018 a report to the Housing & New Homes committee detailed the outcomes of an independent review of the TPC carried out by consultants 31ten. The review identified that "it is widely acknowledged that the partnership worked very well in the early years and that an improved service was being provided, at a reduced cost and that Decent Homes standard was exceeded across the housing stock."
- 3.11 The future delivery of services and works to council housing stock will build on the positive aspects of the current contractual arrangements and retain positive practices that are currently delivered whilst also evolving from the learning gained from residents, key stakeholders and the independent review detailed above.

3.12 The current contract is operated from the 'Housing Centre' on Eastergate Road, Brighton. The council leases this building and provides space for both Mears and K&T Heating (the council's gas partner) to run the council contracts from. When the current contractual arrangements with Mears expire they will be required to vacate the Housing Centre. It is expected that the council's responsive repairs and empty property refurbishment services will continue to operate from the Housing Centre. Further information has been provided to the Procurement Advisory Board and is attached as Appendix 3.

3.13 Member and committee engagement

3.14 A report initiating the programme was taken to Housing & New Homes Committee (H&NHC) and Policy, Resources & Growth Committee (PR&G) in March 2018. This report detailed:

- The structure of the programme and the programme board put in place and led by the Executive Director, Neighbourhoods, Communities and Housing.
- Arrangements for engaging members through Procurement Advisory Board (PAB) with additional attendance by lead members for Housing.
- The commissioning of consultants to develop an initial options and market research report.
- The high level timetable for the programme and any resulting procurement activities.
- Arrangements for engaging with residents and keeping both residents and members informed of progress with the programme.
- High level risks associated with the programme.

3.15 A further report was taken to H&NHC and PR&G in June 2018 which updated on:

- Progress with the programme
- Resident engagement activities being delivered in July and August 2018
- Staff engagement activities
- Matrix of options available for future delivery – June 2018 (attached as Appendix 4)
- Executive summary of options report – June 2018 (attached as Appendix 5)
- Options report for the delivery of responsive repairs services, planned maintenance and improvement programmes and large capital projects - produced by Savills and Trowers & Hamblins – April 2018 (attached as Appendix 6)

3.16 There has been regular engagement with members through the Members Procurement Advisory Board (PAB) with additional attendance of lead

members for Housing. Officers have briefed at PAB in January and March 2018 and attended with consultants to discuss the options in detail at PAB meetings in April and June 2018. A further meeting was held with PAB members in July 2018 to review the options available and identify any which should be discounted. The options discounted and the grounds on which they were discounted are detailed in section 4 of this report. The meeting also considered a supplementary report produced by consultants to answer questions raised by the board. This included details about the council's market position and risk statement. A copy of the report is attached as Appendix 7. Officers also met with PAB in September 2018 to provide information on tenant and leaseholder engagement and the site visits undertaken by the programme team.

3.17 PAB members fed back that they appreciated the work carried out by officers in producing the in-depth reports across the five meetings held to consider the options.

3.18 All members were invited to an open question session which was held on 21st August 2018. A detailed discussion took place with those in attendance covering the following areas:

- Tenants and leaseholder engagement and feedback
- The remaining timeline
- The delivery options available, costs and contract terms

3.19 Tenant and leaseholder engagement, staff and union engagement

3.20 The programme team has carried out a range of early engagement actions with tenants, leaseholders, staff and union representatives. These are detailed in full in section 5 of this report.

3.21 Site visits

3.22 In order to develop market knowledge about the types of delivery of services and works to social housing stock which are currently used the programme team researched and/or visited the following Councils and Housing Associations to gain insight and best practice advice:

- Adur and Worthing Borough Council
- Greenwich Council
- Harlow District Council
- Islington Council
- Portsmouth District Council
- Preston City Council
- Sheffield City Council

- Slough Borough Council
- Tower Hamlets Homes
- Wealden District Council

3.23 A detailed breakdown of the various arrangements used by these organisations is attached in Appendix 8 of this report for information.

3.24 Strategic objectives for the future delivery of services

3.25 Feedback from numerous stakeholders has enabled the council's programme team to develop a set of clear strategic objectives for the future delivery of the services and works as follows:

- Excellent customer service including the ability to self-serve and greater direct customer access to services
- A strong focus on pro-active maintenance of existing assets
- Increased transparency, control and accountability around cost, programme information and quality assurance
- Demonstration of value for money combined with the inclusion of social value requirements in order to secure added economic, social or environmental benefits for the local area.

3.26 Recommendations for future delivery

3.27 The following sections of the report set out in detail the recommendations for the future delivery of each area of the services and works which are currently delivered to council housing stock.

3.28 The recommendations in this report have been made following consideration of the potential risks, expected benefits and estimated costs of the wide range of options, including consideration of the value for money and social value aspects offered by each option. They have been developed in line with the balance of opinion among members who have had the opportunity to assist with early stage option appraisals.

3.29 The recommendations are summarised in table 1 below.

Table 1 – Report Recommendations

Both capital and revenue expenditure	Revenue expenditure	Capital investment		Specialist works
Customer service and quality assurance	Responsive repairs and empty property refurbishments (Approximate value - £8m)	Planned maintenance and improvement programmes (Approximate value - £11m)	Major capital projects (Approximate value - £7m)	Specialist works (Mechanical & electrical contracts, adaptations and works outside of current partnership) (Approximate value - £5m)
Recommendation: Directly delivered by the council (in-house team)	Recommendation: Directly delivered by the council (in-house team)	Recommendation: Planned works programmes let by the council under a contract(s) split into multiple contracts (lots) by work type	Recommendation: Major capital projects let by the council on a competitive basis through an over-arching framework of multiple contractors	Recommendation: Contract and project management in-house; specialist works contracts procured as appropriate for each specialism (as currently delivered)

3.30 Customer Service and Quality Assurance

- 3.31 This report recommends that the customer service and quality assurance services for the areas of responsive repairs and empty property refurbishments, planned maintenance and improvement programmes and major capital projects to council housing stock are brought in-house and directly delivered by the council following the expiry of the current contractual arrangements.
- 3.32 The council's in-house customer service and quality assurance service would deliver the following:
- A call centre function (operating within working hours for receiving and managing repair calls)
 - A customer service team to handle complaints and queries
 - A surveying team to check the quality of works carried out and test value for money (quantity surveyor, surveyor and clerk of work type activities)
 - Project managers and specialists who would undertake commissioning of specifications and contract management activities
 - Administrators and support staff
- 3.33 Quality assurance would be delivered directly by the council through checking a sample of works across responsive repairs and empty property refurbishments. This would be combined with the council directly collecting satisfaction information on completed works from residents.
- 3.34 It is likely that staff employed by Mears currently carrying out these functions/services would transfer into the council's employment in accordance with Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) regulations. There may also be TUPE implications for staff responsible for the management and supervision of the services that transfer to in-house delivery.
- 3.35 There is a risk, albeit not considered significant at this time, that the Mears employees who currently manage the service may not transfer. The TUPE regulations may not be applicable to them as they may not form part of an organised grouping which primarily undertakes the activities on behalf of the council. This would be due to the fact that they may manage a number of other contracts. If they are covered by TUPE, those staff affected could decide not to transfer, although as a consequence they are likely to be made redundant by Mears. Council officers will continue to work with Mears to establish which staff will transfer if this option is chosen. Council officers will also develop an action plan with Union representatives to communicate effectively with staff affected by any transfer proposals.

3.36 The council would also need to procure and award contracts for systems and support in order to directly deliver the services. This would include contracts for:

- ICT solutions alongside the Housing Management ICT system which is currently being procured
- Handheld technology for surveying and quality assurance work

3.37 The key benefits of this recommendation are:

- Through the call centre and customer service team the council would deliver the initial interaction with residents creating a direct connection
- Similar services are currently delivered by the council so mobilisation and delivery of these services could be achieved without significant risk to service quality or costs.
- The council would have the opportunity to link repairs services more effectively with other programmes carried out by the council
- It would ensure that decisions around delivery and scope of responsive repairs and empty property refurbishments, planned maintenance and improvement programmes and major capital projects are in line with council objectives.
- It would separate out the identification, specification and quality assurance for works from the delivery of the works which is in line with stakeholder feedback

3.38 The key risks of this recommendation are:

- A procurement process for a new housing management system is being delivered separately to this programme and so any procurement for a new IT solution for this programme will need to be scoped carefully for interdependencies and to avoid duplication.
- There may be some duplication of functions. For example, in relation to the planned maintenance and improvement programme and major capital projects contractors will need to have in place their own methods of supervision and quality assurance for their works which is likely to be duplicated to a degree by the quality assurance undertaken by the council.
- That staff will not transfer to the council and the council will not be able to recruit suitable staff.

3.39 The total direct cost of the contact centre is estimated as £0.246m including staffing and telephony costs. The staffing costs of bringing this service in-house are broadly comparable with the current costs included within the HRA budget. However, there would be extra running costs estimated as £0.014m for telephony and support service costs of £0.040m. As described above,

there is also a risk of further costs as a result of TUPE which are not quantifiable at this time.

3.40 Responsive repairs and empty property refurbishments

3.41 This report recommends that an in-house service is established to directly deliver responsive repairs and empty property refurbishments.

3.42 These works cover the following key areas:

- Day to day repairs to the council’s housing stock
- Out of hours repairs to the council’s housing stock (out of hours repairs operate from 5pm – 9am and at weekends)
- Empty property refurbishments

3.43 Approximate annual cost to deliver in-house service:

3.44 Table 2 below details approximate costs of running an in-house service for responsive repairs and empty property refurbishments based on delivering 39,199 repairs jobs and delivering £1,801,394 per annum of empty property work. The detail provided is independently drawn together by industry experts Savills to support the council in costing and planning the shape of an in-house team to deliver a responsive repairs and empty property refurbishments service.

3.45 A full independent report detailing the breakdown, methodology and requirements for setting up an in-house service is detailed in Appendix 9 and provides context to this recommendation.

3.46 The following table includes details of the estimated costs to deliver the in-house service.

Table 2 – Estimated costs to deliver an in-house responsive repairs and empty property refurbishments service

Key element costs	Information	In-house annual costs (58 operatives)
Labour	Based on delivery of 31,200 responsive repairs jobs per annum (3.3 jobs per day 216 days) Empty properties refurbishment works inc. Seaside and Temporary Accommodation	£2,139,000
Subcontractor costs	20% responsive repairs 50% empty properties	£1,800,000

Materials	Expected that purchasing power is significantly less than a private contractor	£1,425,000
Salary and Management Prelim costs	Please see page 13 in Appendix 9 for proposed structure.	£1,380,000
Service delivery prelim costs	i.e. vehicles, uniforms, tablets, mobile telephones, vehicle tracking, tools etc.	£678,000
Out of hours call centre function	Estimated based on receiving 350 calls per month	£20,000
Project specific ICT costs	This is a standalone system that will enable the in-house service to be fully operational to raise, appoint and order materials to complete a repair	£54,000
Central Office Overhead	This is the addition contribution the in-house service would pay for support services (i.e. finance, HR, legal, communications, ICT etc.)	£380,000
Contingency and TUPE risk allowance		£236,000
Total		£8,112,000
Adjusted to exclude call centre costs	These costs are deducted as they cover the services detailed in 3.30	(£246,000)
Revised total:		£7,866,000
Adjusted to include cost of Assistant Director role		£102,000
Further revised total:		£7,968,000

3.47 Based on the volume of works indicated in the table above the council would need to employ approximately 58 operatives and 34 management and administrative support staff for the delivery of responsive repairs and empty properties refurbishments. The works would include the delivery of plumbing repairs, electrical repairs, carpentry, roofing repairs, building works, plastering, decorating and other repairs carried out by multi-trade operatives.

3.48 The council would still need to procure contracts for “specialist” services such as asbestos management, larger repairs identified, drainage, glazing repairs, scaffolding etc. It is expected that these works would make up 20% of responsive repairs and 50% of empty properties works.

3.49 Following the establishment of the in-house service it may be possible for the council to reduce the level of subcontracting so that specialist areas are directly delivered by the in-house team, where feasible and service requirements allow. However it should also be noted that subcontracting will provide flexibility for managing high periods of demand on the service.

- 3.50 It is likely that TUPE will apply to those Mears employees who are currently assigned to an organised grouping which primarily delivers services to the council. Those employees who are affected by TUPE and who do not object to transferring, will transfer on their existing terms and conditions of employment.
- 3.51 If the recommendation is agreed, the council will formally request TUPE information from Mears under the existing contract. However Mears are already voluntarily assisting the council and discussions to date have led to Mears sharing approximate estimates of staff that may transfer together with salaries and costs. The information provided by Mears so far is based on their current workforce and structure and may vary up to the date of transfer.
- 3.52 There is a significant risk that the Mears employees who currently manage the service may not transfer. The TUPE regulations may not be applicable to them as they may not form part of an organised grouping which primarily works for the council. This would be due to the fact that they may manage a number of other contracts. If they are covered by TUPE, those staff affected could decide not to transfer, although as a consequence they are likely to be made redundant by Mears. The council does not currently have managers with experience of managing services of this nature and would have to recruit. It is likely to be difficult to attract managers with the necessary skill set from the private sector within the council's current pay structure. Council officers will continue to work with Mears to establish which staff will transfer if this recommendation is chosen. Council officers will also develop an action plan with Union representatives to communicate effectively with staff affected by any transfer proposals.
- 3.53 It is proposed to carry out a comprehensive review of the service after three and five years of operation to assess value for money, investment and growth opportunities, performance and satisfaction.
- 3.54 The service would also be reviewed for expansion opportunities; this could include in-house delivery of kitchen and bathroom replacements. Any expansion would need to be effectively planned for and assessed against budgets and investment plans, to ensure appropriate levels of resources, supply chain management and consistency.
- 3.55 Mobilising an in-house team and supply chain**
- 3.56 The council would need to undertake some additional procurement activity in order to provide systems and support for the delivery of the works by an in-house team in time for 'go-live' following the expiry of the current contractual arrangements. This would include procurement of contracts for the following:

- Sub-contractor arrangements for works delivered outside of the in-house team
- Materials, supply chain arrangements and implementation
- Service delivery preliminary costs (e.g. vehicle leases, uniforms, tool purchase, waste management etc.)
- ICT system for works management
- ICT equipment for operatives
- Consultancy and additional project resources for mobilisation
- Out-of- hours call centre services

3.57 In order to set-up the in-house service in time to ‘go-live’ following the expiry of the current contractual arrangements a temporary mobilisation team would need to be employed. This would likely involve:

- ICT Project manager (included in ICT project specific costs above)
- Consultancy support for market knowledge (included above)
- Mobilisation team including a new permanent post of Assistant Director, from December 2018 to reflect the significant addition of an in-house provision to the overall Housing service.

3.58 Costs for set-up and mobilising the in-house team are set out in table 3 below.

Table 3 – Set-up and mobilisation costs

Key element of cost	One-off or year one cost
Project specific ICT costs	£316,000
Procurement and Legal Fees	£100,000
Consultancy support to assist in mobilising and implementing new service	£150,000
Contingency	£30,000
Potential TUPE allowance	£200,000
Mobilisation project team	£298,000
Total	£1,094,000

3.59 Therefore the total cost of set-up and mobilisation is estimated to be £1.094m (‘the set-up and mobilisation budget’) which will be funded from HRA reserves. This includes setting up a mobilisation team from December 2018 estimated to cost £0.112m in 2018/19 and £0.186m in 2019/20 as well as further mobilisation consultancy support of £0.150m. This is needed to ensure that the council is ready and is able to mitigate some of the risks outlined in paragraph 3.73 below.

3.60 Supplementary revenue budgets

3.61 It should be noted that there are additional costs that are currently paid for from the revenue budget that are not accounted for in the estimates set out in table 3. These include:

- Estate development budget delivery
- Concessionary Gardening Scheme
- Concessionary Decoration Scheme

3.62 Whether the responsive repairs and empty property refurbishments service is delivered by an in-house team or contracted out, it is assumed that these supplementary services will continue. Therefore members should note that for the purposes of obtaining a like for like comparison of the in-house service with a contracted service, the costs of the supplementary services have been excluded.

3.63 Apprentices

3.64 The current contract includes a commitment from Mears to provide 200 apprenticeship opportunities over the term of the contract, based on the delivery of one apprenticeship per million pounds of expenditure. To date Mears have delivered 152 apprenticeships (this does not include apprentices for 2018/19).

3.65 Currently Mears employs 26 apprentices working within the various trades and an additional six apprentices in office administration. Apprentices will be at different stages of their qualification and are not currently guaranteed a permanent contract with Mears at the end of their apprenticeship. It is likely that TUPE will apply for apprentices; however, at this stage the number of apprentices that would transfer at the end of the current contract arrangements is unknown.

3.66 Whilst the costs of the current apprenticeship scheme are included in the relevant HRA budgets, the financial modelling for both the set-up of an in-house service and the comparative estimates for a contracted service do not include an allowance for a future scheme. Therefore Members should note that for the purposes of obtaining a like for like comparison of the in-house service with a contracted service, the costs of the apprentices have been excluded.

3.67 If the current number of apprentices transfer at the end of the current contract arrangement it is estimated that this will add £0.500m to the cost of the in-house service as detailed in section 4.5 of Appendix 9.

3.68 For the in-house service the council could seek to deliver apprenticeship opportunities on the basis of a similar ratio to the current contract

arrangements (one apprentice per million pounds of expenditure). Similarly to the current arrangements apprenticeship opportunities will not automatically result in permanent employment.

3.69 In relation to the planned maintenance and improvement programmes and major capital projects recommendations, a requirement to deliver apprenticeships could be sought as part of the social value criteria for the proposed contracts. There is a risk that this will deliver a reduced ratio of apprentices compared to the current contract arrangements.

3.70 In order to effectively deliver an apprenticeship scheme through a number of different delivery arrangements an apprentice scheme co-ordinator post is likely to be required at a cost of approximately £0.040m per annum.

3.71 Risks and benefits of the in-house responsive repairs and empty property refurbishment service

3.72 The key benefits of this recommendation are:

- The council would have direct control of the works enabling strong alignment with the priorities and the values of the council.
- The council would have a reduced reliance on subcontractors to deliver the works and would have direct control of any subcontractors engaged.
- There are service benefits if operatives are directly employed by the council who can reflect the council image and behaviours adopted by the organisation.
- Greater accountability for the delivery of works to residents enabling resources to be focused directly on the priorities and issues identified in a flexible way that could improve customer satisfaction.
- Well run in-house services can offer opportunities to improve service delivery and productivity post mobilisation stages.
- Opportunities to expand the scope of the in-house delivery team at review points if the council would like to do so (i.e. to consider kitchens and bathrooms).
- Development of a more positive connection between residents and the council service carrying out repairs to their homes.
- The potential for delivery of efficiency savings in the medium term and enabling consistency in service delivery over a longer term.
- Works costs and resources will not be affected by contractor arrangements and commercial changes in the market place (i.e. insolvency, resources placed on other contracts etc.)
- There are opportunities to improve long term employment offers by the council in the local area.

3.73 The key risks of this recommendation are:

- Initial costs estimated as £1.094m associated with the establishment of a new in-house service.
- The council will need to procure contracts for fleet vehicles, supply chains, ICT systems, van and store stock, consultancy as well as recruit additional staff to mobilise the service
- Higher ongoing costs of the service relative to contracting to one contactor as detailed in full in Appendix 9 (section 4.6). If a contract for these works and services was let for five years, the estimated cost difference could be **£4.184m** including the set-up costs of £1.094m detailed above.
- Risk that this will deliver fewer apprenticeship opportunities than the current contractual arrangements. In addition the cost of administering an apprenticeship scheme is estimated at £0.040m per annum.
- Challenges in fully establishing the service in the time available. Particular risks are around the development of ICT systems and support, handheld and stock management solutions and the range of additional procurements that would be needed to support the service.
- Risk that management staff will not transfer and the council will not be able to recruit the necessary set of skills required to mobilise and manage the in-house service thereby risking a poor quality service initially.
- Lack of established ways of working in relation to health and safety and carrying out construction works on site, method statements for operating in a safe way and the ability to tap into organisational experience of delivering services.
- Provision is currently set up as a contract management service with limited experience of managing an in-house service so this may present challenges around management of productivity which could lead to extra costs and present risks to the budgets of the service.
- The council is not experienced at managing staff carrying out the same roles on different terms and conditions and this may present operational challenges in managing the workforce.
- Exposes the council to more direct risks of market fluctuation such as materials cost increases and labour shortfalls which are currently protected to an extent through contract arrangements.
- The council does not have an established supply chain in place and is unlikely to be able to achieve similar economies of scale as a national contractor.
- Uncertainty around workforce levels prior to completion of TUPE transfer may mean increased cost with provision of additional staff/operatives in order to ensure services are delivered around transition period.
- There is a risk that staff restructuring will be required incurring redundancy costs if the number and skill mix of the staff being transferred is not as required.
- The in-house service will have to undertake procurements in compliance with the public procurement regime; this is more resource intensive than

the type of procurement which a private contractor would undertake and is therefore likely to be more expensive.

- Employment processes tend to be more complex in a local authority which can incur additional costs and management time.
- The council will need to develop a compliant method of demonstrating the cost of works to leaseholders in order to recover expenditure. This will require the council to develop new processes for service charges to leaseholders.

3.74 Further opportunities and risks related to the establishment of an in-house service are set out in section 5 of the consultants report attached at Appendix 9.

3.75 Planned maintenance and improvement programmes

3.76 This report recommends that the council procures a contract in the form of separate lots with a term of five years with the option to extend for up to a further two years for the provision of planned maintenance and improvement programmes to council housing stock. The contract would be split into lots and the lotting strategy will be determined by officers who will consider the best way of dividing the contract to achieve the strategic objectives.

3.77 The planned maintenance and improvement programmes delivered by the contract would include the following:

- Cyclical works and maintenance programmes
- Kitchen and bathroom replacements
- Windows
- Doors
- External and internal repairs and decorations
- Rewiring
- Roof replacements

3.78 A full list of the works which would be covered is included in Appendix 2.

3.79 Council officers would be responsible for commissioning specifications and issuing a programme of works to the contractor(s) each year and closely contract managing the contractor(s) to ensure the programmes are delivered effectively.

3.80 Under this recommendation it would be possible for contractors to win multiple lots if they were to submit winning bids in multiple work types. This raises the possibility that one contractor could win all the lots which would benefit the council as it would only have to manage one contractor. If the council wanted to prevent this and attract small to medium sized local businesses it could

stipulate that one contractor could only win, for example, two lots. The council could also encourage small to medium enterprises to bid as consortia so that small contractors who cannot on their own meet the council's financial standing requirements could submit a bid with other partners.

3.81 The key benefits of this recommendation are:

- The council will directly manage the contract (rather than there being sub-contractor arrangements) which will give it greater control over the works being carried out on site.
- Lots tendered in this way should enable specialist contractors to bid directly for works and may be attractive to small to medium local businesses therefore enhancing social value and investment in the local economy.

3.82 The key risks of this recommendation are:

- If the number of lots that a bidder can win is limited, the council may lose some economies of scale which could be achieved by working with one contractor. This could have a cost implication.
- It may be more difficult to ensure consistency of works delivery, customer service and financial processes across multiple contractors than with one contractor.
- The cost of managing multiple contractors is potentially greater than managing one single contract. It may be possible to absorb such costs within the current client function but, if not, this will increase revenue costs for the HRA.
- Leaseholders would not have the right to nominate contractors for any of these contracts which are of a value that require a public notice in the Official Journal of the European Union.

3.83 Under this recommendation it is possible that TUPE will apply and that Mears employees will transfer to a successful contractor(s). However this will be dependent on how the council divides the existing contract into lots and whether the same activities which are currently undertaken by an organised grouping will be carried out after the termination of the existing contract. Once the lotting strategy has been determined, the council's legal advisors will work with HR and Mears to determine whether TUPE is likely to apply. If TUPE does not apply, Mears may be able to redeploy its staff or they may need to make redundancies.

3.84 Major capital projects

3.85 Major capital projects include the design and delivery of larger projects for the council's housing stock, using the council's capital investment for example

refurbishments of blocks, cladding, structural works or whole estate works. These projects are typically over £0.500m in value.

- 3.86 This report recommends that the council procures a multi contractor framework agreement for major capital projects with a term of four years. Individual contracts for each major capital works project would be awarded to a contractor on the framework following a mini competition process.
- 3.87 Housing & New Homes Committee will be asked to consider the budget for any call off contracts awarded under the framework agreement as part of the annual HRA budget setting report. Policy, Resources & Growth Committee will then be asked to approve the budget which will be monitored and updated through the council's Targeted Budget Monitoring process as it is currently.
- 3.88 The council would identify the need for a major capital works project through its Asset & Sustainability team and undertake detailed condition surveys through a separate consultant ahead of commissioning any work specifications. The council would then consider what works are required and engage with tenants and leaseholders on potential works. Following consultation with tenants and/or leaseholders on the nature of the works the council would develop a specification of works and competitively tender each project by way of a mini competition under the framework.
- 3.89 The council would be responsible for the contract management of all major capital works projects, the procurement processes, quality assurance, quantity surveying and associated contract management.
- 3.90 The key benefits of this recommendation are:
- Value for money would be tested on a project by project basis.
 - The council would develop relationships with a number of contractors leading to good understanding of requirements and consistency of service delivery to the council and customers.
 - Opportunities for the local supply chain to tender for a place on the framework agreement.
 - Maintains contractor performance due to incentives to remain competitive for mini competitions.
 - No commitment from the council to actually place any work through the framework.
 - Once in place, the framework agreement should be quick and relatively simple to use through mini competitions to award contracts for each discrete project.
- 3.91 The key risks of this recommendation are:

- There is a risk that the framework may become stale with contractors losing interest in bidding if they do not win competitions leading to a reduction in the competitive process if one bidder is consistently winning competitions.
- A full EU procurement process would be needed to award the framework agreement (due to anticipated value). This will be resource intensive initially in terms of scoping and specifying as well as evaluation of bids due to likely high interest.
- There is a risk that if there are too many/too few contractors on the framework this could cause lack of work or capacity issues.
- It may be more difficult to ensure consistency of works delivery, customer service and financial processes across multiple contractors than with one contractor.
- The cost of managing multiple contractors is potentially greater than managing one single contract. It may be possible to absorb such costs within the current client function but, if not, this will increase revenue costs for the HRA.
- Leaseholders would not have the right to nominate contractors for any of these contracts which are of a value that require a public notice in the Official Journal of the European Union.

3.92 Under this option it is highly unlikely that Mears employees will transfer to a contractor who becomes a party to the framework agreement. The nature of major capital projects is that staff are engaged in relation to a specific project, often on a sub-contracting basis. There is unlikely to be an organised grouping which carries out activities for the council which are fundamentally the same as those which will be carried out after the transfer. These projects are short term in nature so the activities will not be continued by new contractors on the framework – Mears will finish the projects they are working on and the council will let new contracts to suppliers on the framework. Even if there is an organised grouping and the activities are similar to those carried out by Mears employees at the moment, there is likely to be a delay between projects which will mean that TUPE will not apply. Mears may be able to redeploy staff who are currently engaged on the councils major capital works or they may be made redundant.

3.93 **Leasehold implications**

3.94 As detailed in section 5 of this report the programme team have sought to engage with leaseholders (both resident and non-resident). This follows a period of significant engagement with leaseholders across the city and through the Leaseholder Action Group.

3.95 In June 2018 Housing & New Homes Committee received a report on improving leaseholder engagement, the principles established in that report

have been used throughout the early engagement process adopted for this programme with a focus on transparency, early discussion on options and reflection of tenant and leaseholder objectives for the future in this report.

3.96 Alongside this engagement the council will undertake formal consultation with leaseholders where required. The following information regarding leasehold consultation regulations are highlighted to the committee:

- Statutory leaseholder consultation is required by Section 20 of the Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold Reform Act 2002; the procedure is set out in the Service Charges (Consultation Requirements) (England) Regulations 2003.
- The council is required to undertake Section 20 consultation in two situations:
 - Prior to entering into a qualifying long-term agreement (QLTA) under which the service charge to any leaseholder may exceed £100 in any year;
 - Prior to carrying out qualifying works which may result in any leaseholder being charged more than £250.
- Thus if qualifying works are to be carried out under a QLTA, two consultations are required (one for the agreement, one for the works).
- Statutory consultation requirements would apply to any elements of the service which the Council decides to contract out to an external provider rather than directly deliver itself.
- Contracts of employment are excluded from qualifying agreements under the consultation regulations and as such entering into one does not require leaseholder consultation. This is relevant for the in-house option detailed in this report.
- Works that will cost over £250 per leaseholder for an in-house service have the same consultation requirements as if in a QLTA, i.e. the same as under the current arrangements.
- The costs of works need to be calculated as the actual cost to the council and include staff costs, parts, supplies, services, overheads etc.
- There are different ways of accounting to evidence these costs. This could include using Schedule of Rates based on appropriate calculations or labour and material costings.
- Materials supply arrangements would not appear to be caught by any consultation requirements. The only consultation requirement being on works over £250 per leaseholder in a building.
- For major capital projects carried out under a framework the council would need to consult on the setting up of the framework, as a QLTA, and then on the cost of any particular projects that are awarded through the framework.

- Leaseholders do not have the right to nominate contractors for contracts which are of a value that require a public notice in the Official Journal of the European Union.
- As detailed in this report the framework would include a competitive process ahead of the award of any works.

3.97 Following a decision on the recommendations set out in this report further work will need to be undertaken on leaseholder implications ahead of any statutory consultation.

3.98 Maximising social value

3.99 In accordance with the Social Value Act 2012, the council has a duty to have regard to economic, social and environmental well-being in connection with public services contracts.

3.100 The council abides by the principles set out in the Brighton & Hove Social Value Framework which has been developed by a multi-agency action learning group. Social value outcomes from the Framework will be identified and consideration will be given as to which one/s would be relevant and proportionate for use in any procurement process to award contracts for the future delivery of services and works to council housing stock. The principles are:

1. Working together across sectors to achieve shared priorities and provide social value outcomes (economic, social and environmental).
2. Being inclusive – improving equality, diversity and inclusion of people in the way we work.
3. Supporting local and positive employment experiences – creating work and training opportunities for local people, supporting people to secure work and paying the Living Wage.
4. Building community capacity for prevention and early intervention.
5. Taking a community-led approach to social value by supporting communities with resources and expertise to build capacity.
6. Supporting volunteering as part of delivery.
7. Buying local – supporting the Brighton and Hove economy by choosing suppliers close to the point of service delivery.
8. Ensuring ethical standards of purchasing and delivering services.
9. Implementing sustainable policies – reusing, reducing waste and carbon footprint

3.101 The council's programme team is committed to seeking social value either through a procurement process or through an in-house service. Social value could be achieved in various ways, for example:

- Keeping tenants' homes warm, safe and in good condition

- Investing in the local economy and support the local supply chain
- Supporting services in tackling fuel poverty
- Providing a high quality and trusted service to residents
- Providing targeted employment or training opportunities
- Reducing the environmental impacts in service delivery
- Community involvement
- Working in partnership with local services and charities

3.102 Essentially the Framework principles can be used in relation to all recommendations. When procuring contracts the council can set out it's social value requirements and bidders can be scored on their social value offers through the tender process. The social value requirements should be proportionate to the contract and the council will be responsible for monitoring their delivery.

3.103 Table 4 provides a high level example of how the principles from the Brighton & Hove Social Value Framework could be delivered in the future provision of the services and works to council housing stock through the various options. The table represents a desk top exercise only and the inclusion of social value requirements will need to be considered further once the recommendations are agreed.

Table 4 – Social value chart

Social Value Framework Principles	1. Working together	2. Being inclusive	3. Supporting local and positive employment experiences	4. Building community capacity for prevention and early intervention	5. Taking a community-led approach	6. Supporting volunteering as part of delivery	7. Buying local	8. Ensuring ethical standards	9. Implementing sustainable policies
Recommendations - these are as detailed in section 3 of this report									
1. Customer Service and Quality Assurance delivered in house	•	•	•	•	•	•	•	•	•
2. Repairs and empty properties - Directly delivered by an in-house service	•	•	•	•	•	•	•	•	•
3. Work programmes let by the council under multiple contracts (lots) split by work type	•		•		•		•	•	•
4. Projects let by the council on a competitive basis through an overarching framework of service providers	•		•		•		•	•	•
5. Specialist works tendered as appropriate	•		•				•	•	•

Social Value Framework Principles	1. Working together	2. Being inclusive	3. Supporting local and positive employment experiences	4. Building community capacity for prevention and early intervention	5. Taking a community-led approach	6. Supporting volunteering as part of delivery	7. Buying local	8. Ensuring ethical standards	9. Implementing sustainable policies
Options that are considered possible but are not recommended – these are detailed in section 4 of the report									
Responsive Repairs and Empty Properties									
1. Repairs and empty properties services carried out on site by one contractor	•		•			•	•	•	•
2. Interim repairs and empty properties services contract with purpose to move to an in house service after	•	•	•	•	•	•	•	•	•
3. Completely delivered by one contractor (through one contract including customer service and quality assurance functions)	•		•			•	•	•	•
Planned maintenance and improvement programmes									
4. Deliver all possible planned programmes through an in house service (with exception of specialist works)	•	•	•	•	•	•	•	•	•

Social Value Framework Principles	1. Working together	2. Being inclusive	3. Supporting local and positive employment experiences	4. Building community capacity for prevention and early intervention	5. Taking a community-led approach	6. Supporting volunteering as part of delivery	7. Buying local	8. Ensuring ethical standards	9. Implementing sustainable policies
5. Work programmes completely delivered by a contractor (through one contract)	•		•			•	•	•	•
6. Work programmes let by the council through an overarching framework of service providers	•		•		•		•	•	•
Major Capital Projects									
7. Projects tendered by the council on a competitive basis project by project	•		•		•		•	•	•
8. All projects delivered by one contractor (through one contract)	•		•			•	•	•	•

Key to table

Bullet points represent where the social value principle could be achieved

Shaded cells represent where the social value principle could be achieved through a procurement process

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 The following table indicates alternative options that are available for the delivery of the services and works to council housing stock. This is not intended to be an exhaustive list but sets out the options which officers have given serious scrutiny to. These options are not recommended for the reasons detailed in each subsection below.

Table 5 – Possible options that are not recommended

Revenue expenditure	Capital investment	
Responsive repairs and empty property refurbishments	Planned maintenance and improvement programmes	Major capital projects
Repairs and empty property refurbishment works carried out on site by one contractor	Deliver all planned programmes directly through an in-house team (with exception of specialist works)	Projects tendered by the council on a competitive basis project by project
or	or	or
Interim repairs and empty properties contract with purpose to move to an in-house service	Work programmes completely delivered by a contractor (through one contract)	All projects delivered by one contractor (through one contract)
or	or	
Completely delivered by one contractor (through one contract including customer service and quality assurance functions)	Work programmes let by the council through an over-arching framework of contractors	

4.2 Possible options that are not recommended

4.3 Responsive repairs and empty property refurbishments

4.4 Procure a contract for the provision of responsive repairs and empty properties refurbishment works and services

4.5 This option would see the competitive tender and award of a contract to deliver the “on site” elements of these works. This is in line with typical contracting arrangements in the repairs and maintenance sector where a client orders work through a contractor and operates a quality assurance function to ensure that works are carried out and charged appropriately.

4.6 It is estimated that this option would cost between £7.100m and £7.350m per annum (paragraph 4.6 of Savills report at Appendix 9). Using the higher of these costs, this is **£0.618** lower than the estimated cost of the in-house service recommended in this report **when the permanent Assistant Director post is included**. If the contract were for five years, the total cost difference over a five year contract period is therefore estimated at an additional **£4.184m** including set-up and mobilisation costs of £1.094m.

4.7 The key benefits of this option are:

- This option is likely to cost less than setting up an in-house service. Estimated costs for this option are detailed in section 4.6 of Appendix 9.
- Working with one contractor across the entire program may deliver efficiencies in terms of reduced overheads, economies of scale, supply chain advantages and establishment costs.
- Contractor delivered services under this model are in line with the market’s expectation and experience which should put the council in a strong position to attract competitive bids for the externally delivered part of this service.
- The council is experienced at contract management and the delivery of this option would be in line with others that have been successfully managed including the current gas service and maintenance contract.
- The contractor will be responsible for working safely on site and the associated risks and method statements that are required.
- A contractor will be able to use experience and their established protocols to deliver the repairs and maintenance.
- The council is protected financially for service failures such as works not being carried out to specification, compensation claims and associated warranty claims.

4.8 The key risks of this option are:

- Works costs and resources are affected by contractor and commercial changes in the market place (i.e. resources placed on other contracts or loss of contracts for the contractor)
- The council would have lower levels of control over repairs and maintenance as well as sub-contractors. This may mean that there is a reduced ability to manage the customer service standards on site.
- There is a risk of contractor insolvency and the associated risk of the council needing to implement interim measures if this should occur.
- There is some cost associated with the mobilisation of a contract arrangement including the development of IT interfaces, branding.
- This option would see a degree of duplication of functions, for example a contractor would need to have in place their own methods of supervision and quality assurance which would, to a degree, be duplicated by council quality assurance functions.
- Smaller, locally based contractors may not be able to deliver a contract of this size as a main contractor though it is likely they will still be employed as sub-contractors. The procurement process could also mitigate this risk by encouraging consortia bids.

4.9 There has been feedback from all stakeholders that a long term contract would not offer the flexibility being sought going forward. The market research undertaken and advice obtained from consultants suggests that ten year partnerships are not as common in the market as they were when the current arrangements were developed.

4.10 However in order to deliver a contract effectively, a term should be considered with time to establish and incentivise bidders to invest in the services they are delivering. For this model a five year contract is recommended with the potential for a two year extension subject to performance and at the council's discretion.

4.11 Tender for interim contract with intention to move to an in-house service after contract term ends

4.12 This option would see the responsive repairs and empty properties element of the service operate as part of a contract. The service would be tendered competitively and it would be specified in the tendering processes and specification that one of the main objectives of the contract would be to prepare the service for transitioning to an in-house service at the end of the contract.

4.13 The key benefits of this option are:

- Additional time to prepare organisation for strategic change

- Additional time to prepare service for delivery change

4.14 The key risks of this option are:

- Limited available research on this style of approach suggests it has only been used in unique circumstances that do not apply to the council.
- Incentive to contractors, to assist the organisation to prepare for in-house delivery, would be different and would be likely to affect the market position.
- This may be unattractive to the market as it will not deliver a long term opportunity for service providers.
- In order to increase the attractiveness to the market contract length may be longer than will be required to set up the in-house service.

4.15 Completely delivered by one contractor (through one contract including customer service and quality assurance functions)

4.16 This option would see the responsive repairs and empty properties element of the service continue to operate in the same way as it does at the moment as part of the contract delivered by Mears. The repairs desk call centre, quality assurance and other functions would also continue to operate in the same way. The service would be tendered competitively.

4.17 The key benefits of this option are:

- Potential economies of scale with all services delivered by one contractor.
- Minimal change to current service delivery.
- Consistency of service delivery and management through one contractor.
- The council has acquired valuable experience in contract management and the shape of this service would be in line with others that have been successfully managed including the current gas service and maintenance contract.
- Mobilisation and delivery should be achieved without significant risk to service quality or costs.
- The contractor will be responsible for working safely on site and the associated risks and method statements that are required. A contractor will be able to use experience and their established protocols to deliver this.
- The council is protected financially for service failures such as works not being carried out to specification, compensation claims and associated warranty claims.

4.18 The key risks of this option are:

- Feedback from key stakeholders who would prefer to deliver quality assurance services and customer services functions via an in-house team.

- Not common in industry for call centre functions to sit with the contractor.
- Reduces opportunities for the client side function to increase expertise and align to other customer contact centres across the council.
- This option gives the council lower levels of control of the works element of the service compared to the recommendations. This may mean that there is a reduced ability to manage the customer service standards on site.
- There remains a risk of contractor insolvency and the associated risk of the council needing to implement interim measures if this should occur.
- Works costs and resources can be affected by contractor and commercial changes in the market place (i.e. resources placed on other contracts or loss of contracts for the contractor).
- This option could see a degree of duplication of functions, for example a contractor will need to have in place their own methods of contract management and surveying which could be duplicated by the current council quality assurance functions.

4.19 **Planned maintenance and improvement programmes**

4.20 Deliver all possible planned maintenance and improvement programmes through an in-house service (with exception of specialist works)

4.21 Establish an in-house team to deliver (where economically viable) the planned works programme for example the kitchen and bathroom replacement programmes.

4.22 This option would see the creation of a directly employed delivery team of approximately 15 staff to deliver this service. This would include the delivery of kitchen and bathroom planned programmes. This would be supported by some contracting for “specialist” services for example asbestos removal, roof replacements, window replacements, some external repairs etc.

4.23 Following the establishment and settling of the direct delivery service the level of subcontracting could decrease with specialist areas being directly delivered by the in-house team in the future where feasible.

4.24 Staff employed by Mears currently carrying out these functions may transfer into the council in accordance with TUPE regulations.

4.25 The key benefits of this option are:

- The council would have direct control of the service enabling strong alignment with the priorities and the values of the council.
- Greater accountability for the delivery of services to residents enabling resources to be focused directly on the priorities and issues identified in a flexible way that could improve customer satisfaction.

- Development of a positive connection between residents and the council service carrying out works to their homes.
- Works costs and resources not be affected by contractor and commercial changes in the market place (i.e. resources placed on other contracts or loss of contracts for the contractor).
- Development of in-house skills enabling growth of the in-house service.

4.26 The key risks of this option are:

- Small and medium enterprises (SMEs) would be unable to tender for programmes and will lose subcontracting opportunities.
- Consultant advises that the council can offer a competitive attractive package of planned programmes to the market providing opportunities that would not be achieved by delivering these works in-house (e.g. commercial supply chain advantages).
- Capital investment programmes are subject to change and risk would sit with contractor in other options
- Significant one off initial costs associated with the establishment of a new service. These may include investments in fleet, ICT systems, van and store stock as well as recruitment of additional staff to mobilise direct delivery staff alongside existing staff managing contract arrangements.
- Challenges in fully establishing the service in the time available. Particular risks are around the development of ICT systems and support, handheld and stock management solutions and the range of additional procurements that would be needed to support the service.
- Lack of established ways of working including of carrying out construction works on site, method statements for operating in a safe way and the ability to tap into organisational experience of delivering services could expose the council to greater health and safety risks.
- Service is currently set up as a contract management service with very limited experience of managing in-house service this may present challenges around management of productivity and present risks to the budgets of the service. Exposes council to more direct risks of market fluctuation such as material cost increases and labour shortfalls which are currently protected through contract arrangements.
- Uncertainty around workforce levels prior to completion of TUPE transfer may mean increased cost with provision of additional staff/operatives in order to ensure services are delivered around transition period.

4.27 Deliver all planned maintenance and improvement programmes through one contractor (through one contract rather than breaking it into lots)

4.28 Council officers would be responsible for issuing a programme of works to the contractor each year and closely contract managing the contractor to ensure the programmes are delivered effectively.

4.29 The key benefits of this option are:

- Consistency of service delivery and management.
- Clear accountability for the delivery of services to residents.
- Working with one contractor across the entire program may deliver efficiencies in terms of reduced overheads, economies of scale, supply chain advantages and establishment costs.
- A single contractor will enable the delivery of a consistent approach in terms of resident engagement with the contractor able to lead in some areas.
- A simpler contract management approach with a reduced number of contract meetings, performance and finance reporting requirements.

4.30 The key risks of this option are:

- Works costs and resources likely to be affected by contractor and commercial changes in the market place (i.e. resources placed on other contracts or loss of contracts for the contractor).
- Working with one main contractor will mean that a large proportion of the works on site will be delivered by sub-contractors meaning that the council is further separated from the delivery of works to customers.
- Additional layers of contracting may mean duplication of overheads and profit margins, diverting money from the carrying out of works and meaning a risk to the quality of service and work carried out.
- This contract may not be deliverable by smaller locally based contractors.
- Risk of insolvency of contractor
- Less aligned to resident feedback.

4.31 Planned maintenance and improvement programmes let by the council through an over-arching framework of service providers

4.32 The council would tender a framework arrangement for a number of contractors to enter into. Once this was in place the council would run a competitive process within the framework to identify which contractor would carry out different programmes of work.

4.33 The key benefits of this option are:

- There would be competition on a work type/ geographical basis.
- The council would develop relationships with a number of contractors leading to good understanding of requirements and good performance driven through the framework.
- Opportunities for local supply chain to work directly with the council.

- Maintains contractor performance due to incentive to remain competitive for call offs.
- No commitment from the council to actually place any work through the framework.

4.34 The key risks of this option are:

- Consistency of materials and service delivery would be difficult to ensure with the potential for multiple contracts delivering one planned programme.
- Impact on future maintenance and asset management costs if materials deployed are inconsistent.
- More management costs for the council for running competitive tenders from the framework.
- Multiple contractors will need to be managed at the same time therefore increasing resources required on the client side.
- Contractors would not have long term guarantees of programmes of works even though we would be in a position to tender longer term contractual arrangements using asset data.

4.35 Major capital projects

4.36 Projects tendered by the council on a competitive basis project by project

4.37 The council would identify requirements, undertake detailed condition surveys and develop any work proposals. The council would then engage with tenants and leaseholders on potential proposals.

4.38 The council would then develop a specification of works and competitively tender each project subject to the necessary approvals in compliance with the council's contract standing orders. The council would be responsible for the management of all projects.

4.39 The key benefits of this option are:

- Value for money is tested on a project by project basis.
- Projects will be ready for delivery ahead of identification of the preferred contractor being identified.
- Individual procurements of varying values may present more opportunities for small to medium enterprises which may not have capacity to take on larger projects.
- Leaseholders will have the right to nominate contractors to be invited to tender providing the project value is below the EU financial threshold for public works contracts.

- Separation of scoping of works, delivery of works and quality assurance functions gives a strong control environment for the service.
- Each project will be subject to market conditions at the time.

4.40 The key risks of this option are:

- Resource intensive across Housing, Procurement, Legal teams and contractors due to the increased complexity of procurement processes.
- Increased time required for leaseholder consultation requirements.
- Contractors may not have long term investment in the city.
- May be challenging to develop consistency across multiple contracts and there may be duplication of process and documentation for each project.
- May not produce a strong value for money outcome due to the loss of some economies of scale.
- Increased time for contractor learning curve with the council's ways of workings.
- Each project will be subject to market conditions at the time
- Full EU tender exercise will still be required for major projects over £4,551,413.

4.41 All projects delivered by one contractor (through one contract)

4.42 The council would identify requirements, undertake detailed condition surveys and develop any work proposals. The council would then engage with tenants and leaseholders on potential proposals.

4.43 The council would then tender one contract with one contractor to manage and deliver all major capital projects on site. The council would then check the quality of projects delivered.

4.44 The key benefits of this option are:

- Potential economies of scale with all services delivered by one contractor.
- Minimal change to current service delivery.
- Consistency of service delivery and management through one contractor.
- The council would deliver the initial interaction with customers creating a greater connection and the opportunity to link projects more effectively with other programmes carried out by the council and ensures that decisions around delivery and scope of projects are in line with council objectives.
- Separating the specification/identification of works and quality assurance from the carrying out of works will create a stronger control environment for the service.
- The contractor will be responsible for working safely on site and the associated risks and method statements that are required. A contractor

will be able to use experience and their established protocols to deliver this.

- The council is protected financially for service failures such as works not being carried out to specification, compensation claims and associated warranty claims.

4.45 The key risks of this option are:

- Value for money and market testing would be difficult to evidence over time.
- Leaseholders' ability to engage in delivery limited outside of section 20 consultation.
- Not common in the industry for all major capital projects to sit with one contractor.
- There remains a risk of contractor insolvency and the associated risk of the council needing to implement interim measures if this should occur.
- There is some cost associated with the mobilisation of a contract arrangement including the development of IT interfaces, branding, etc.
- This option would see a degree of duplication of functions, for example a contractor will need to have in place their own methods of supervision and quality assurance which would, to a degree, be duplicated by council quality assurance functions.
- Risk of contractor insolvency.

4.46 Further options for delivery that were considered

4.47 As detailed the programme team has identified and considered a range of options for the future delivery of services. Through the process of engagement with the Procurement Advisory Board the following options have been discounted enabling officers to present the remaining options summarised in this report which meet the objectives of the council.

4.48 One contract covering works and services within the same scope as the current contract

4.49 This option is to deliver services within the same or a similar arrangement to the current contract. This option was discounted due to the following considerations:

- The current contract was awarded in 2009 with clear objectives around saving money and achieving the government's Decent Homes Standard. The economic situation for the HRA is different at this point in time.
- The independent review of the current contract carried out by 31ten in 2017 identified that the contract has delivered a number of benefits but its full potential has not been realised. For example the report indicates that

the contract has not performed as well on longer term capital works compared to the excellent delivery of the day to day repairs and maintenance service.

- That the delivery of the works and services would benefit from increased client side focus on quality assurance and client led specification of projects as well as more direct control of works.
- The other options detailed in this report are likely to address the feedback from tenants and leaseholders more effectively than one contract covering all works.
- The other options for major capital projects will be able to more clearly demonstrate value for money on a project by project basis.

4.50 Joint Venture partnership

4.51 This option would involve the establishment of a joint venture partnership with a selected partner to jointly deliver works or functions through a jointly owned entity. This model has operated well in some locations and was identified as a potential option through the independent review carried out by 31ten in 2017.

4.52 The model was set out in full in the options paper presented to Housing & New Homes Committee in June 2018 and included as Appendix 6.

4.53 This option was discounted due to the following considerations:

- The model did not meet objectives about clear and simple relationships between client and contractor.
- It may take 12 – 18 months to identify a preferred partner in an area where there are only a limited number of providers.
- Very high start-up costs in terms of officer resource and legal work to support competitive dialogue and the implementation of the Joint Venture.
- There would also be ongoing costs of supporting the Joint Venture.
- The model did not seem to offer as many benefits to the council as the other options detailed in this paper.

4.54 Wholly Owned Subsidiary Model

4.55 This is an innovative option where employees are engaged by the council but treated as part of a contractor's supply-chain and managed by the contractor. This model has been used in cases where clients have engaged multiple contractors that have become insolvent and have wanted to protect against this occurring in the future. Should a partner become insolvent the client is protected by retaining the workforce delivering the repairs service. This model was identified as a potential option through the independent review work undertaken by 31ten in 2017.

4.56 The model was set out in full in the options paper presented to Housing & New Homes Committee in June 2018 and included as Appendix 6.

4.57 This option was discounted due to the following considerations:

- The model did not meet objectives about clear and simple relationships between client and contractor.
- The relationship between employees and the council is complex and potentially difficult to navigate as direction would be given by the contractor.
- Key benefits available to other types of entities choosing this option in terms of VAT savings on labour cost would not be applicable for the council.
- High cost of establishing and administrative costs of supporting the board operating the Wholly Owned Subsidiary.

4.58 Other considerations

4.59 Other options considered for responsive repairs, empty property refurbishments and planned maintenance programmes were using multiple contractors for each service/works area and procuring contracts based on geographic location.

4.60 The option to use one contractor for each type of service/works rather than multiple contractors is supported by learning from previous contract arrangements and the current service. Splitting works geographically presents significant risks in terms of lack of consistency in service levels, reduced economies of scale and increased pressure on resources within the council. In addition, consultancy advice has indicated this would be less attractive to the market and would result in higher unit costs.

5. COMMUNITY ENGAGEMENT & CONSULTATION

5.1 The programme has undertaken a number of engagement exercises to ensure that stakeholder's views are considered in determining the preferred option for the delivery of works and services in the future.

5.2 Tenant and leaseholder engagement

5.3 Programme officers initially attended the following meetings to provide an initial brief of the programme and next steps for tenant and leaseholder engagement:

- Area Panels

- Home Service Improvement Group
 - Leaseholder Action Group – Annual General Meeting
 - Business and Value For Money Service Improvement Group
- 5.4 Area Panel meetings provided some initial feedback around the current contractual arrangements and raised some questions about delivery methods moving forward - feedback was included in the March 2018 report to Housing & New Homes Committee.
- 5.5 Representatives at the Home Service Improvement Group were keen to be updated at future meetings of the progress of the programme and noted the scale of the programme.
- 5.6 The programme team presented on the programme at the Leaseholders Action Group (LAG) – Annual General Meeting in April 2018 and have worked with the newly elected LAG representatives to engage with leaseholders and collect feedback on the current arrangements.
- 5.7 Leaseholders fed back that they welcomed the opportunity to be engaged in the programme alongside the work being undertaken to improve engagement with leaseholders. Other feedback included that the council should ensure value for money is being delivered through major capital projects and that there should be a stronger focus on planned maintenance programmes through future delivery arrangements.
- 5.8 The programme team have now completed the following engagement activities:
- Running four workshops for tenants and leaseholders to share their views on what works well with the current service, what doesn't and what we should change in the future.
 - Carrying out over 1,000 door to door surveys of tenants and leaseholders across the city.
 - Running an online and postal survey for tenants and leaseholders to feedback their views.
- 5.9 The workshops were promoted in “Homing In”, the council’s website and social media channels, by email to resident groups and in a letter to Tenants and Residents Associations across the city. Tenants and leaseholders who attended these workshops were highly engaged and gave detailed feedback about how the service could be delivered in the future.
- 5.10 The full feedback from the workshops is included as Appendix 10.
- 5.11 Leaseholders particularly identified the following areas for future services:

- Leaseholders felt that investment into managing warranties, developing maintenance programmes and regular reviewing of assets, should be a key focus to prevent deterioration of homes and blocks.
- Leaseholders felt that 'major capital projects' should not sit with the repairs and empty property refurbishment works moving forward and should be specified and tendered separately from this function.
- Value for money was a key driver for leaseholders and testing and value for money through tender processes for major capital works was a key consideration.
- Quality assurance and surveying functions were highlighted by leaseholders as essential client side functions that should be independent of any contractual arrangement.
- Leaseholders felt that increased communication, transparency and online access to cost information would improve services going forward.

5.12 The Leaseholder Action Group also provided written feedback which is included as Appendix 11.

5.13 Tenants particularly identified the following areas for future services:

- Tenants felt that estates as a 'whole' could do with better maintenance and investment for example the look of doorways, clearing guttering, grounds maintenance, the look and feel of blocks and neighbourhoods could be better invested in and maintained.
- Tenants discussed the importance of communication from the council and contractors, more consideration around disabilities or vulnerabilities, better communication for missed appointments, ID for subcontractors and more discussion with tenants when jobs cannot be completed first time.
- Tenants discussed the importance of a localised, visible service including locally employed staff, apprentices and a 'patch' type approach to neighbourhoods for repairs.
- Tenants wanted to see more appointment times with more defined time slots. Including evenings and weekends by the hour rather than AM/PM.
- Tenants felt the apprenticeship scheme is positive and should continue to be a priority to the council.
- Tenants felt that the use of subcontractors should be reviewed to improve performance for example cleaning up after repairs, parking issues and requirements to carry identification.
- Tenants felt that the kitchens and bathroom replacement programme (Brighton and Hove standard) is positive and would like to see it continue and expand.

5.14 The results of the door to door surveys and the online and paper surveys were analysed by ARP Research and full results are included as Appendix 12.

- 5.15 Some key feedback from surveys showed that tenants and resident who took part in the consultation were generally very satisfied with the repairs and maintenance services that they currently received. This was typified by the responsive repairs service, where satisfaction was high at 89%, including two thirds that were 'very' satisfied.
- 5.16 Similarly, 85% rated the repairs reporting system as good, whilst satisfaction with internal improvements was very high at 96%.
- 5.17 The vast majority of customers felt that the best way to improve the repairs and maintenance service would be to increase the opportunities for feedback and consultation rather than any specific technical or service level changes.
- 5.18 Nevertheless, an online reporting system received high levels of support with over three quarters saying it would make reporting repairs easier for them. In fact, when asked in their how the service could be improved, 43% of respondents specifically mentioned an online option, including a quarter that suggested an 'app'.
- 5.19 Through this process the programme team have been keen to engage with residents proactively and in sessions that suit residents. As such the team have been invited to meet with residents at the Business & Value for Money Service Improvement Group and the Resident Inspectors group. Feedback from these groups is included in Appendix 13.
- 5.20 In September 2018 members of the programme team attended the four Area Panel meetings and the Leaseholder Action Group to feedback on the resident engagement activities undertaken and update residents on the next steps for the programme. These meetings gave similar feedback to the workshop sessions detailed in this report. This included:
- Some residents felt works should be tendered separately rather than through one large contract as is currently delivered.
 - Contract terms should be shorter than the current ten year term.
 - The repairs service should focus on completing repairs in one visit
 - There should be a stronger focus on quality assurance
 - Some Area Panel representatives indicated support for bringing services in-house
- 5.21 As well as formal leaseholder consultation and continued engagement with groups it is also of note that a smaller group of tenants and leaseholders (representative of the demographic profile) will be engaged in any tender evaluation process.

- 5.22 Programme team members will update tenants and leaseholders across the city following Policy, Resources & Growth Committee in October 2018 and through the Citywide Conference in the autumn as well as through future area panel meetings.
- 5.23 Staff and union engagement
- 5.24 Staff have received regular updates on the programme through the initial phase. The programme team have presented on progress with the programme at the regular all staff meetings held for the Property & Investment team. In addition the team have received email briefings alongside the development of reports and the release of any public reports on the programme.
- 5.25 Staff workshops have been held as part of the engagement work undertaken on the project. These have included:
- Two workshops for Property & Investment staff and unions
 - Workshop for other housing staff
- 5.26 These workshops provided an opportunity for staff to feedback on both the current arrangements and how services might be delivered in the future. Key themes identified through these sessions were:
- Better IT systems should be sourced.
 - Co-location is a positive aspect of the current arrangements.
 - There should be clearer distinction between client and contract quality assurance functions.
 - More services should be delivered in-house.
 - The council should make better use of asset data.
- 5.27 Staff working in Property & Investment and Mears also had the opportunity to feedback through an online survey. The headline feedback from this survey was:
- There should be a greater investment in cyclical maintenance and planned works rather than responsive works
 - The council should have a greater role in specifying works
 - The council should check a higher proportion of work
 - Positive feedback on the contact centre
 - Positive feedback on the responsive repairs service
- 5.28 At Policy, Resources & Growth on the 14 June 2018, the Committee delegated authority to the Executive Director, Finance & Resources, after consultation with the Procurement Advisory Board, to take all steps necessary

for the implementation of the Unite Construction Charter provided those steps are consistent with the advice or recommendations of the Procurement Advisory Board.

6. CONCLUSION

- 6.1 This report sets out a series of recommendations and alternative options for the delivery of responsive repairs and empty property refurbishments, planned maintenance programmes and major capital projects to council housing stock following the expiry of the current contractual arrangements.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

7.1 In-house functions for Customer Service and Quality Assurance

- 7.2 Recommendation 2.1 is to establish in-house functions for customer service and quality assurance. The current arrangements are that the council pays Mears to provide the customer contact centre as well as some quality assurance functions for responsive, planned and major works. There is also a quality assurance function and customer service function within the Property and Investment team. Therefore, should the council take all of these functions in-house, the staffing costs should be broadly comparable, assuming the same level of service.

- 7.3 As outlined in the body of the report, the costs associated with the TUPE transfer of staff from Mears are currently unknown and could be considerable. There is a risk that staff restructuring will be required incurring redundancy costs if the number and skill mix of the staff being transferred is not as required.

- 7.4 There are potential risks related to equal pay that could develop over time if staff continue to be employed on different terms and conditions to other staff in the council doing work of equal value, or if the council seeks to equalise the pay and conditions of any new staff doing the same work with those staff who have transferred.

- 7.5 Also, if more skilled staff are required at short notice, this could be expensive with the possibility of having to use agency staff.

- 7.6 There will also be extra running costs associated with delivering this function in-house consisting of telephony costs estimated at £0.014m per year. The costs of handheld devices for a few quality assurance staff is estimated to

cost a few hundred pounds and can therefore be met from current HRA resources.

- 7.7 Current estimates are that the contact centre would consist of eight customer service operatives and one contact centre manager and the expectation is that these staff would TUPE transfer from Mears. Other staff may also TUPE transfer from Mears to the quality assurance function. This may increase the number of Full Time Equivalent (FTE) staff in the HRA by 9-11 staff (although see TUPE risks above). Therefore, this will increase the amount of support service costs payable by the HRA (for IT, and HR support in particular), estimated at £0.040m.
- 7.8 Therefore to summarise, the cost to the HRA of recommendation 2.1 as a stand alone recommendation over and above current budget resources is estimated as £0.054m. There is also a further potential cost in relation to staffing and TUPE transfer which is not quantifiable at this stage.
- 7.9 Responsive Repairs and Empty Property Refurbishment Works to Council Housing Stock are brought in-house and delivered by the council
- 7.10 Recommendation 2.2 relates to the setting up of an in-house service for responsive repairs and empty properties refurbishment. As the report outlines, this would require a new multi-trade team of operatives, and management and administrative support staff to be employed directly by the council. The number of staff is estimated as 92 FTE. The report highlights the risks and benefits of this option in section 3.
- 7.11 The council commissioned advice from Savills on the costs associated with the setting up an in-house service for the council. At this early stage in the process, Savills and council officers have had to make a wide range of assumptions including the number of staff required, pay costs, materials costs and IT costs. Council officers have reviewed the advice from Savills including various cost assumptions and have estimated the set-up costs as £0.796m with annual costs of between £7.538m and £7.866m (excluding the contact centre which is separately costed above). The set-up costs include an allowance of £0.150m for consultancy support for mobilisation. However, further resources will be required to mobilise the in-house service from December 2018 in order to mitigate the risks outlined in the body of the report. The extra cost is estimated as £0.112m in 2018/19 and £0.186m for the full year 2019/20 - a further £0.298m in total. Therefore the total set-up and mobilisation costs of the in-house service are estimated to be £1.094m.
- 7.12 Under this option there would be a different cost structure to the service. The current contractor will have different overhead costs, procurement costs, pension scheme costs, as well as the need to ensure viable profit margins. The council is a much smaller organisation and is expected to incur additional

overhead and procurement costs as a result and also has a significantly higher cost pension scheme. On cost terms alone, this will make the in-house option more expensive. However, while economic considerations are a very important aspect of value for money considerations, value for money must also take into account the quality of service, customer satisfaction and the service's effectiveness in meeting council objectives including social value.

- 7.13 Officers have worked with advisers, Savills, to compare the cost of providing responsive repairs and empty property refurbishment in-house with a contract arrangement whereby services would be tendered and provided by one contractor. Other than the cost of procurement, there would be no additional up-front costs relating to re-tendering the service. The estimated cost of a tendered contract would depend on the market conditions at the time of procurement and how many contractors bid. Based on advice from Savills and using the same assumptions on volumes of jobs etc. in order to make a direct comparison to the in-house option, it is estimated that contracting out such a contract would cost between £7.100m and £7.350m per annum (paragraph 4.6 of Savills report at Appendix 9). Using the higher of these costs, this is £0.516m lower than the estimated cost of the in-house service with 58 operatives excluding the call centre costs. **However, adding in the annual cost of a permanent Assistant Director post to the costs of the in-house service, means that the estimated cost of the contracted out service is £0.618m lower.** If the contract were for 5 years, the total cost difference of **the in-house service** over a 5 year contract period is therefore estimated at an additional **£4.184m** when the estimated set-up costs of £1.094m are included.
- 7.14 The one-off set-up costs and the difference in annual costs would need to be met from the HRA which represents an 'opportunity cost' to the council (as Landlord) and the council would therefore be required to forego this level of spend (**£4.184m** over a five year period) on current tenants' homes and/or building new homes.
- 7.15 As mentioned, the above estimates have been provided by Savills and reviewed and agreed by council officers. Savills have experience with many local authorities and registered providers with responsive repairs functions. In drawing together these figures, many assumptions have necessarily been made. The main financial risks of setting up an in-house repairs and empty property refurbishment service are considered to be:
- **IT costs** – this is the cost of implementing of the new maintenance management system to manage appointments and the ordering of materials using handheld devices. It is assumed that initially this system would be stand alone and would not integrate with the council's housing management system or financial system. This is partly due to timescales but also because the new housing management system is also due to go

live at the same time, April 2020. The estimated IT set-up cost is £0.316m. This is based on Savill's experience with other local authorities and the current cost of IT specialists. However, the costs of implementing a maintenance management system within the very tight timescales could be greater as it is possible that IT consultants will be required on day rates to secure implementation by the deadline.

- **TUPE risks** – the number of staff transferred under TUPE and the mix of trades and skills of these staff may not match what is required for the in-house service. The estimated number of staff transferring for this recommendation is 92. However, if excess staff were transferred compared to requirements or skill mix, staff restructuring would be necessary with the possibility of redundancy costs. If staff are transferred on enhanced pay rates or bonus schemes, then this may lead to the council incurring compensation costs while negotiating new employment contracts, in particular to avoid future equal pay risks. If more skilled staff are required at short notice, this could be expensive with the possibility of having to use agency staff. The set-up costs therefore include a prudential sum of £0.200m for a staffing and TUPE risk allowance.
- **Operational risks** – running an in-house service will require operational management skills that are not traditionally found within local authority client teams. There is therefore a risk that the service could be inefficient, especially in the early phases. This could lead to cost increases if productivity is ultimately lower than expected and may impact customer satisfaction.
- **Supply chain risks** – the cost of materials in this contract is estimated as £1.425m which includes a prudential 12% uplift on the estimated materials cost to allow for the substantially lower purchasing power of the in-house service. However, this may not be sufficient; a further 5% uplift, for example, would cost another £0.064m per annum.

7.16 The report recommends at 2.3 that a budget of £1.094m (£0.122 for 2018/19 funded by in-year underspends within the HRA and £0.982m for 2019/20 funded from HRA general reserves, is set up to enable the Executive Director to commence procurement and the mobilisation of the agreed options. The expenditure on set-up and mobilisation is expected to commence in December 2018 but the majority of spend will be in the financial year 2019/20. HRA general reserves are currently £7.853m.

7.17 Recommendation to Procure a Contract(s) for the Provision of Planned Maintenance and Improvement Programmes

7.18 Regarding recommendation, 2.4 relating to the procurement of planned maintenance and improvement programme – capital works, this recommendation means that contracts are let separately for each different work stream. Under the current arrangements, this work is programmed by

Mears and council staff and Mears generally use their sub-contractors to undertake this work. This report recommends that under the new arrangements the programming and quality checking of work will be carried out by council staff. Letting this contract to multiple contractors should minimise the need to sub-contract. The main financial risks of this method of procurement when compared to tendering one contract for planned works (current situation) are:

- The procurement costs may be higher as a result of having to split the work into different lots and evaluate each lot separately. It is considered that any extra cost could be met from current HRA procurement resources. The 2018/19 HRA budget includes £0.250m to support this whole procurement process.
- Procuring in smaller lots may mean the overall contract price could be higher because any economies of scale of having one contractor will not be realised. This cannot be quantified with any accuracy.
- The client costs of managing these multiple contracts will be higher when compared to the management of one contract for planned maintenance and improvement works.

7.19 Recommendation to procure a multi- contractor framework agreement for major capital projects with a term of four years.

7.20 Recommendation 2.5 relates to the procurement of a multi-contractor framework agreement for major capital projects with a term of four years. This is currently undertaken by Mears who tender works to various sub-contractors. This arrangement allows for individual contracts for each major capital works project to be awarded to a contractor on the framework following a mini competition process. The risks and benefits of this option are highlighted in the body of the report. The cost of managing multiple contractors is potentially greater than managing one single contract. It may be possible to absorb such costs within the current client function but, if not, this will increase costs for the HRA.

7.21 The budget for any call off contracts awarded under the framework agreement will need to be considered by Housing & New Homes Committee and approved by Policy, Resources & Growth Committee. This budget will be set out in the annual HRA budget setting report and be monitored through the council's Targeted Budget Monitoring process.

7.22 General financial implications

7.23 The implementation the recommendations may increase the costs of operating an apprenticeship scheme due to additional administration required

as outlined in the body of the report. This is estimated to cost £0.040m per annum.

- 7.24 The council is a Best Value authority under the Local Government Act 1999 and is under a general Duty of Best Value which requires it to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.” Under the Duty of Best Value, therefore, authorities should consider overall value, including economic, environmental and social value, when reviewing service provision. Before deciding how to fulfil their Best Value Duty authorities are also under a Duty to Consult representatives of those who use or are likely to use services provided by the authority, and those appearing to the authority to have an interest in any area within which the authority carries out functions. The report sets out the potential risks and benefits of the various options alongside comparative costs, social value implications and feedback from consultation to enable the authority to fulfil its Duty of Best Value.

*Finance Officer Consulted: Monica Brooks
Nigel Manvell*

Date: 17/09/18

Legal Implications:

- 7.25 In its role as landlord, the council has statutory and contractual obligations to maintain its housing stock. It is entitled to do anything incidental to the discharge of its functions, including employing staff and entering into commercial contracts.
- 7.26 The Public Contracts Regulations 2015 encourage contracting authorities to divide their contracts into lots. In relation to the procurement for planned maintenance and improvement programmes, the council may choose to limit the number of lots to be awarded to one tenderer.
- 7.27 The maximum permitted duration of a framework agreement is four years, except in exceptional circumstances. The council is required to appoint at least three contractors to the major capital projects framework and will carry out a mini-competition prior to letting a call-off contract for each project.
- 7.28 Call off contracts under the framework agreement for major capital works may be valued at over £500,000 and this report therefore seeks a delegation of authority so that the Executive Director Neighbourhoods, Communities & Housing can procure and award such contracts without the need to return to committee.

7.29 In procuring the contracts necessary to implement the recommendations in this report the council is required to comply with its Contract Standing Orders, public procurement legislation and the Social Value Act 2012.

7.30 The TUPE implications are as set out in the body of the report. The council's obligations to consult with leaseholders are set out in the body of the report.

Lawyer Consulted:

Isabella Sidoli

Date: 17/09/18

Equalities Implications:

7.31 None of the options identified involve reducing or altering the nature of service provided to residents. It is therefore not anticipated that any of the options would have a detrimental impact on any group with a protected characteristic. An equalities impact assessment will be carried out on the preferred option and a further report will be presented to this committee if any detrimental impacts are identified.

7.32 Assessments are carried out in relation to any work carried out under the current contract arrangements. It is anticipated that a similar process will be appropriate here.

7.33 It is possible that options identified as a result of this programme will involve transfer of staff from the existing contractor. There will be an equalities impact assessment to consider the impact of the transfer on various groups.

7.34 The staff engagement carried out so far is detailed in section 5.23 – 5.27.

Sustainability Implications:

7.35 The work carried out under the existing contract arrangements contribute significant improvements to the council owned stocks energy performance. For future arrangements, potential providers will be assessed on their ability to deliver services in a sustainable and energy efficient manner in line with the council's HRA energy strategy.

Any Other Significant Implications:

7.36 Risk and Opportunity Management Implications:

7.37 The programme includes a detailed risk management plan and register which is being maintained throughout the programme

7.38 Corporate / Citywide Implications:

- 7.39 A number of Corporate, Citywide and Housing strategies are relevant to this programme. These are set out in full in the 14th March 2018 Housing & New Homes Committee report initiating the programme

SUPPORTING DOCUMENTATION

Appendices

1. Details of housing stock
2. List of services and works included under each area
3. Housing Centre Lease Information
4. Matrix of options available for future delivery
5. Executive summary of options report
6. Options report for the delivery of responsive repairs services, planned maintenance and improvement programmes and large capital projects
7. Supplementary options report from consultants
8. Details of research and site visits undertaken
9. Consultants report - Creating an in-house responsive repairs and empty properties service
10. Feedback from tenant and leaseholder workshops
11. Feedback from Leaseholder Action Group
12. Repairs & maintenance service consultation report 2018
13. Feedback from Business & Value for Money Service Improvement Group

Documents in Members' Rooms

None

Background Documents

None

Appendix 1 – Details of housing stock

Table 1 – Housing stock by stock type and dwelling type

Stock type	Studio	Flat	Maisonette	Bungalow	House	Total
General HRA	603	6,471	163	249	4,064	11,550
Leasehold	81	2,345	31	0	0	2,457
Brighton & Hove Seaside Community Homes	43	348	6	1	101	499
Temporary Accommodation (HRA)	2				10	12
Temporary Accommodation (Leased)	13	553	40	30	358	994
Total	742	9,717	240	280	4,533	15,512

Table 2 – Summary of blocks

Stock type	Number of blocks
Conversions and street properties	141
Duplexes	584
Low rise	201
Medium rise	366
High rise	43
Total	1,335

Appendix 1 – Details of housing stock

Table 3 – Dwellings by block type

Stock type	Council	Leaseholder	Seaside Homes	Council owned Temporary accommodation	Total
Conversions and street properties	206	125	91	2	424
Duplexes	714	506	15	0	1,235
Low rise	886	184	20	0	1,090
Medium rise	3,624	1,101	143	0	4,868
High rise	1,780	481	128	0	2,389
Total	7,210	2,397	397	2	10,006

Table 4 – HRA stock by number of bedrooms

Stock type	Studio	Maisonette	Flat	Bungalow	House	Total
Studio	580	0	2	25	0	607
1 bedroom	25	0	3,431	172	22	3,650
2 bedroom	0	98	2,835	28	1,411	4,372
3 bedroom	0	59	204	23	2,353	2,639
4 bedroom	0	6	0	1	237	244
5 bedroom	0	0	0	0	46	46
6 bedroom	0	0	0	0	5	5
7 bedroom	0	0	0	0	1	1
Total	605	163	6,472	249	4,075	11,564

Table 5 – HRA Owned car parks and garages

Type	Number
Car Park Spaces	1,527
Garages	1,078
Total	2,605

Customer service and quality assurance

- Repairs desk call centre
- Complaints handing and customer satisfaction collection
- Quality assurance

Responsive repairs and empty property refurbishments

Approximate annual value - £8m

- Day to day repairs to housing stock
- Out of hours repairs to housing stock
- Asbestos surveys
- Fire safety (revenue)
- Empty property refurbishments
- Cleaning and disinfection
- Electrical testing
- Mutual exchange surveys
- Concessionary decorating scheme
- Concessionary gardening scheme
- Estate Development Budget

Planned maintenance and improvement programmes

Approximate annual value - £11m

- Roofing
- Windows
- Doors
- Kitchens and bathrooms
- External repairs and decorations
- Internal repairs and decorations
- Main entrance doors
- Environmental improvements
- Communal rewires
- Domestic rewires
- Condensation and damp works
- Fencing
- Asbestos removal
- Fire safety (capital)

Appendix 2 – List of the current services and works included under each area

- Insulation
- Car parks and garages
- Minor capital works
- Empty properties

Major capital projects

Approximate annual value - £7m

- Structural repairs to blocks
- Block refurbishments
- Estate based programmes
- Upgrading, renewal of insulation
- Converting properties
- Hidden homes
- Loft conversions and extensions

Specialist works (continuing to be delivered outside of these arrangements)

Approximate annual value - £5m

- Gas servicing and maintenance
- Lifts
- Door entry systems
- Fire alarms
- Ventilation
- Aerials
- Legionella assessment and control
- Warden call systems
- Adaptations

Appendix 3

Title	Housing Centre Lease Information
Authors	Glyn Huelin, Business & Performance Manager, Housing
Date	July 2018

1. Summary

This document summarises the Housing Centre lease information as requested by Procurement Advisory Board members in April 2018. The Housing Centre is located at Unit 1 Fairway Trading Estate, Eastergate Road, Moulsecoomb.

2. Housing centre lease information

- 2.1. The Housing Centre currently acts as the hub of the delivery for our housing maintenance services.
- 2.2. Mears, K&T Heating and council Housing teams are based here. The building is leased to the council.
- 2.3. The current approach has been for contracts to be let with a requirement that contractors co-locate with the council in the Housing Centre and consequently do not charge for local office space. This has allowed the council to benefit in the following ways:
 - Ensure close working and problem solving with main contractors
 - Smooth mobilisation of contracts by providing office space to contractors
 - Ensure contractors have a local operation
 - Maximise use of Housing Centre space
 - Take financial risk and influence of local commercial space provision away from key contracts
 - Avoid contract preliminaries and overheads and profit being applied to office space
- 2.4. The lease for the housing centre began on 2nd July 2010. It runs for 20 years until 1st July 2030.
- 2.5. There are two break causes in the lease 2nd July 2020 and 2nd July 2025.
- 2.6. 7 months' notice is required to act on a break clause.

Emerging client functions

- Programme management
- Overarching quality assurance
- Customer service
- Specification and identification of works
- Cost management
- Effective, proactive maintenance

Proposed service objectives

- Excellent customer service (including the ability to self serve, improved customer engagement)
- Transparency
- Enhanced client side management
- Enhanced value for money
- Maximise social value

Current service provider functions

Revenue works

- Responsive repairs
- Empty property refurb
- Estate Development Budget
- 18/19 - £7 million

Planned works (capital)

- Kitchens, bathrooms, doors, windows replacement
- Internal and external decs
- Roofing replacements
- 18/19 – £10.5 million

Major works (capital)

- Larger whole estate works
- Refurbishments of blocks
- Cladding/structural works
- 18/19 - £12 million

Future delivery options

Direct Delivery

Extension into planned works would need to be supplemented by outsourcing

Outsourced to one provider

Outsourced to one provider

Outsourced to one provider

Limited outsource model

- Customer contract – in house
- Works delivery – outsourced
- Quality assurance – in house

Outsourced through smaller lots

Outsourced through own framework for lots with ongoing competition*

Outsourced through own framework for lots with ongoing competition

Outsourced through project by project tendering*

* Could also support business as usual delivery through contract end period

Wholly owned subsidiary

Extension into planned works would need to be supplemented by outsourcing

Joint Venture

Extension into planned works would need to be supplemented by outsourcing

Executive Summary of Optionsⁱ

Option	Advantages	Disadvantages
<p>Direct delivery i.e. no separate organisation – council provides services</p>	<p>Council in control</p> <p>No private profit extracted</p> <p>Staff receive benefits of working for the council – likely to have union and staff support</p> <p>No risk of contractor insolvency</p> <p>No procurement necessary for DLO</p> <p>Ability to ensure positive relationships with tenants</p>	<p>May not be realistic if incumbent’s management employees are not caught by TUPE or opt out of TUPE (council does not currently employ staff with the necessary experience)</p> <p>Significant start-up costs e.g. vans, IT as there is currently little/no infrastructure</p> <p>DLO will find it more difficult to meet fluctuating demands than a national contractor who can flex their workforce across geographic areas</p> <p>Lack of established ways of working and corporate experience of delivering services</p> <p>Significant resources required to undertake multiple procurements e.g. vans, IT, sub-contractors</p> <p>Will have to procure sub-contractors etc. in compliance with EU regulated public procurement regime and Contract Standing Orders</p> <p>Will need to procure some planned repairs and major works where the DLO does not have the capacity / skills</p>
<p>Outsourcing – either via a partnership contract, term contract or framework agreement</p>	<p>Successful bidder will supply vans and IT and will absorb start-up costs (though will be reflected in pricing)</p> <p>Likely to have established ways of working/procedures in place to deliver services</p> <p>Council will receive a contractor warranty in relation to the works</p> <p>Existing contract has worked well for responsive repairs. Separate tailored procurements e.g. for responsive repairs and major works would ensure right contract and contractor for different</p>	<p>Risk of contractor insolvency (but this risk can be reduced by robust consideration of financial standing in selection stage of procurement)</p> <p>Incumbent will have advantage in procurement process over other suppliers as no start-up costs and in-depth knowledge of councils requirements (though the council is under a duty to try and level the playing field if possible during the procurement process)</p> <p>Procurement process encourages low bids which may lead bidders to plan to reduce wages (despite constraints of TUPE)</p> <p>May not work as well for customer contact</p>

	aspects of service	where more control and interaction with tenants would be beneficial
Wholly owned subsidiary	Council in control in relation to staff	<p>If contractor appointed to manage – will extract some profit</p> <p>High cost of establishing and administrative costs of supporting board etc</p> <p>Potentially difficult to navigate as staff employed by council but taking direction from contractor</p>
JV	May be able to win other work and benefit from economies of scale	<p>Competitive dialogue takes 12- 18 months.</p> <p>Incumbent has advantage</p> <p>Very high start-up costs e.g. legal work to support competitive dialogue and establish JV</p> <p>Ongoing costs of supporting board etc.</p>

ⁱ This executive summary does not include all the advantages and disadvantages set out in the Trowers & Savills report but is intended to capture the most significant ones.



dated 19th April 2018

Brighton & Hove City Council

Options Report for the delivery of responsive repairs services, planned maintenance and improvement programmes and large capital projects

Trowers & Hamlins LLP © 2018
3 Bunhill Row
London
EC1Y 8YZ
t +44 (0)20 7423 8000
f +44 (0)20 7423 8001
www.trowers.com

trowers & hamlins

Options Report for the delivery of responsive repairs services, planned maintenance and improvement programmes and large capital projects

1 Introduction

1.1 This document has been produced by Trowers & Hamlins LLP and Savills (UK) Limited and has been prepared for use by Brighton & Hove City Council (**BHCC**) with the aim of providing further detail on each appraised option and supporting information.

1.2 This document seeks to be an overall guide to each Option detailed below, and seeks to explore the key elements of each option.

2 Executive Summary

In compiling this Report, we have explored all of the delivery options current in the market-place. No option has been discounted at this stage and we have endeavoured to set out all of the advantages and risks of each option.

It is recognised in this Report that it is unlikely that one option will provide a perfect "fit" with all of BHCC's re-procurement priorities and it is more likely that, going forward, BHCC will need to explore a mixed-market approach: adopting two, or maybe three, of the Options discussed below across its responsive and planned works programmes. The key element of success will be the implementation by BHCC of a strong clienting-function, enabling it to manage, monitor and direct whichever delivery Option(s) it selects.

Value for money is a key priority for BHCC and we have indicated the advantages and risks of each of the Options discussed below in this respect. The report is based on the assumption that the splitting of responsive from planned works into two discrete programmes of works will not undermine the achievement of value for money; this is due to the approach taken by bidders to the pricing and delivery of such works: responsive being undertaken primarily through direct labour, versus planned works being delivered through sub-contracts and supply-chain arrangements.

3 Terms of Reference

3.1 BHCC requires an options appraisal of potential suitable delivery models which best align with its aspirations for its mid- to long-term requirement for the delivery of its repairs and maintenance programme to its current and future homes.

3.2 The delivery of an efficient maintenance service to its stock is an essential part of BHCC's overall objectives. Our approach to this options appraisal is with the key aim of maintaining and building on the benefits BHCC has achieved through its current relationship with its outsourced contractor, whilst addressing the identified areas of concern and improving contract performance.

3.3 In compiling this options appraisal, we have had the benefit of a wide-ranging discussion held at BHCC's housing office on 20th February 2018, attended by Sharon Davies and Glyn Huelin of BHCC and a further discussion on 29th March 2018 at Hove Town Hall, attended by Sharon Davies, Glyn Huelin, Martin Reid and Monica Brooks of BHCC. As discussed at those sessions, we have considered the options against a consistent set of requirements, including:

- (a) Increased contract/budget management;
- (b) Increased control and oversight of the works instructed (via control of the call-centre and quality-control audit checks); and
- (c) Attraction and commitment of the market-place; and
- (d) Integration of a wide variety of work types that form part of the overall maintenance package, broadly those comprising a series of planned projects (planned works) and those comprising tasks ordered cyclically or responsively (responsive works).

3.4 Throughout this options appraisal, we have assumed the following as givens for any options considered:

- (a) State Aid compliance (funding covenants etc); and
- (b) Governance compliance (vires and regulation); and
- (c) Legislative compliance (EU procurement, leaseholder consultation, tax, TUPE and pensions, etc); and
- (d) Policy and regulatory compliance (efficiency drivers).

3.5 Each Option will need to be considered further in light of BHCC's aspirations concerning IT and communication systems required to manage resident and officer information, stock archetypes, location and future potential growth. We note on this point that BHCC is currently undertaking a significant IT procurement which will result in an updating of all its current IT systems and packages. This will mean that its current housing management IT package will change. The IT procurement is scheduled to finish in September 2019, with any identified solutions being put in place during 2020 and beyond.

3.6 Primary Options (each an **Option**) addressed are as follows:

- 1 Direct delivery of the services (**Option 1**); and
- 2 Outsourcing (**Option 2**); and
- 3 Wholly-Owned Subsidiary/Managed Service model (**Option 3**); and
- 4 Joint Venture company (**Option 4**)

3.7 Each Option needs to provide BHCC with flexibility and choice in its re-procurement Options in the long-run and be deliverable (eg procured and mobilised) by April 2020. We also note that, while the current contract covers both responsive and planned/major capital works, it is possible that the future delivery could split the responsive from the planned/major works.

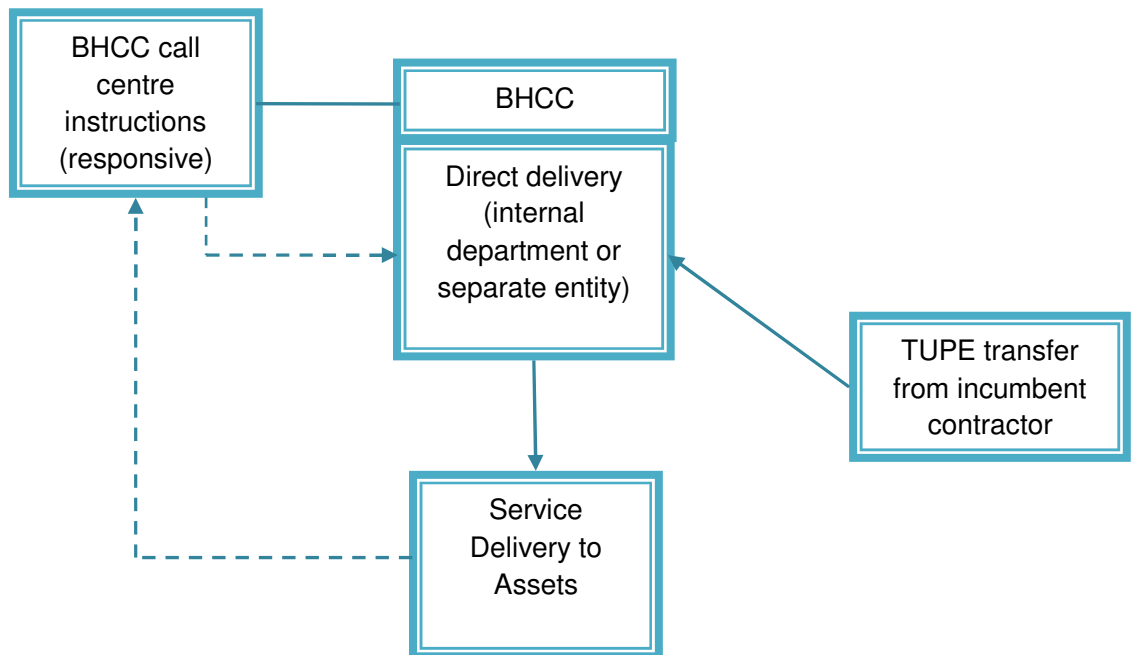
4 **Option Appraisal**

Noted below is each of the Options explored in this Report. We have set out a diagram showing the corporate/contractual/delivery structure of each Option and noted beneath each diagram the perceived advantages/concerns/issues for each Option.

4.1 Option 1: Direct delivery of services

Establishment of an entirely new direct works department or organisation (referred to as a **DLO**) to serve all of the responsive repairs needs of BHCC, or a significant part of those needs, through self-delivery, engaging second-tier supply-chain members (subcontractors/suppliers/sub-consultants) as required. For clarity we have assumed that this model will not involve the creation of a new legal entity.

4.1.1 Diagram



4.1.2 Direct delivery Option – overview

4.1.3 Key advantages

- Establishes DLO as a dedicated resource.
- Values of the DLO mirror those of BHCC.
- Mitigates risk of contractor default/insolvency through greater use of in-house resources.
- Saves contractor profit margin.

4.1.4 Variant Options

- DLO undertakes only limited work types (eg., responsive repairs only).
- Support DLO with EU procurement of insourced private sector expertise.

4.1.5 Key concerns

- Expense of setting up the DLO from scratch (see Section 12 for further information on current gaps and costs for establishing direct delivery service).
- Absence of contractor warranty of work.
- EU procurement of subcontractors/suppliers limits flexibility and supply-chain savings.
- Limited efficiency savings without commercial motivation of contractors.
- Limited commercial incentives/remedies of improved performance/productivity.

4.1.6 Additional Considerations

- **Administration** – Opportunity for simple administration of ordering/payment, but complex administration of DLO itself.
- **Client controls over cost/time** - limited contractual controls at first tier level, so efficient cost/time management is wholly dependent on DLO management, including integration of multiple second-tier supply-chain members.
- **Financial/managerial commitments** – Significant direct investment required, particularly if establishing new "from scratch" (ie BHCC has not had an internal workforce before in relation to the wider repairs and maintenance works) and in resourcing this with appropriate management.
- **Budget management** - Significant demands on BHCC as regards all aspects of contract and budget management subject to obtaining external consultancy support, either permanently or during transitional process.
- **Flexibility** – Flexible redeployment of employees according to needs of BHCC, subject to employee rights and agreement of needs/priorities, but no flexibility to award work according to performance.
- **Improved Sustainability** - Limited opportunities to improve sustainability through re-engineering of contracts awarded, as subcontractors/suppliers/sub-consultants will need to be engaged direct by DLO under EU-compliant processes.
- **Opportunities to drive improved sustainability** dependent on internal management and through establishment of long-term relationships with second-tier supply-chain members.
- **Innovative/tried and tested** – Varied client experience of DLOs, heavily dependent on strength of DLO management. Potential for

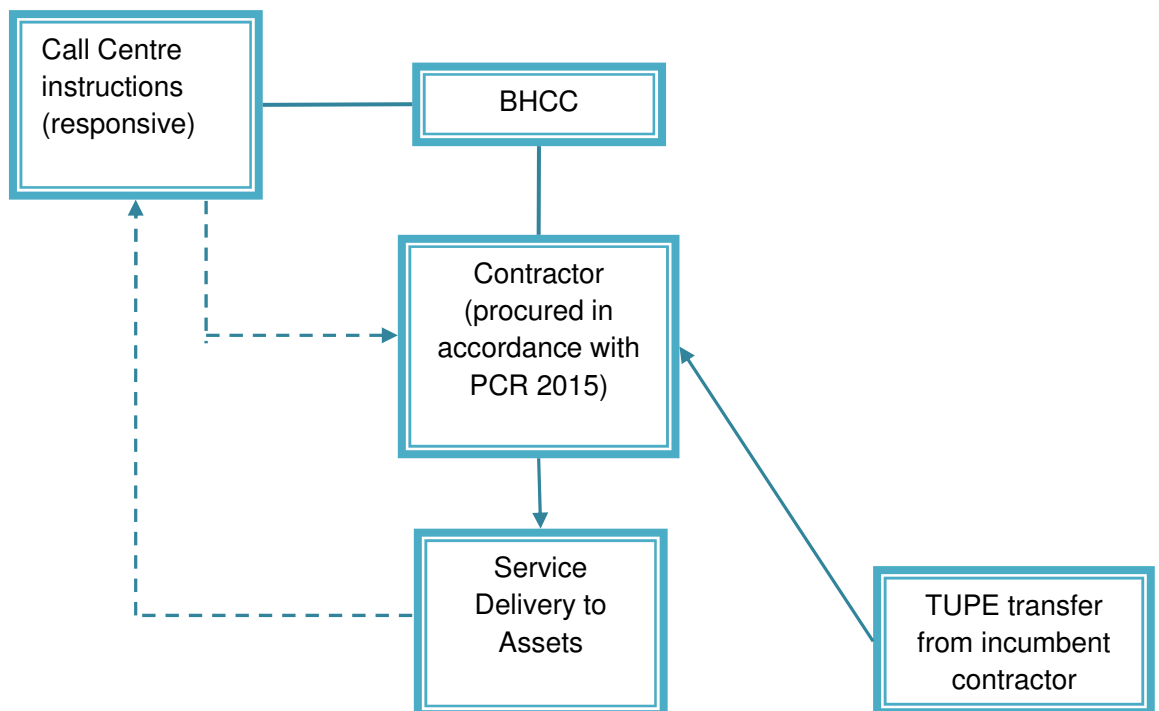
innovation in the structure of the DLO to integrate provision with any external contractors appointed for planned works. Potential for further innovation in the DLO second-tier supply constrained by need for series of EU procurement exercises.

- **Integration and consistency** – Requires integration of new management structure that will be required by BHCC and workforce inherited from current contractors, plus procurement of current DLO supply-chains.
- **Market response** – DLO Option means no engagement of first tier contractors. Second tier subcontractors/suppliers/sub-consultants will be accustomed to dealing with DLOs and should respond positively to appropriately packaged works and services. Potential for improved engagement with/increased responsiveness from some second-tier subcontractors/suppliers/sub-consultants to opportunities under long-term contracts.
- **Number of contractors** – No first tier contractors. Significant number of second-tier subcontractors/suppliers/sub-consultants.
- **Responsibility for employees** – Full client responsibility for employees including those inherited from current contractors.
- **Warranty of work** – Partial warranty available only from second-tier supply-chain members, and therefore fragmented.

4.2 **Option 2: Outsourcing**

This Option involves the appointment of external contractors for the works under arms-length contracts, according to agreed scope as successors to the current contract. Variants on a theme would comprise a form of partnering contract or an amended form of standard contract to include partnering provisions or a more "traditional" form of standard term contract. The key differences between the partnering and traditional approaches are explained and discussed below and are highlighted in **Annex 3** (Comparison of standard forms of Term Contract).

4.2.1 Diagram



4.2.2 Outsourced Option - overview

- EU procurement of one, two or more contractors, divided on basis of scope (to be confirmed).
- All planned/cyclical/responsive works undertaken by contractors.
- Subcontractors/suppliers procured by contractors (non-EU) and reviewed/shared as appropriate.
- Current contractor staff TUPE transferred to new contractors.
- Potential co-operation of contractors through alliance with ability to award more/less work according to capacity/performance.
- Performance-based extension of contract.

4.2.3 Key Advantages

- Full contractor warranty of work ("single point responsibility").
- Commercial incentives for contractor to improve performance/productivity.
- Commercial motivation and potential for supply-chain savings/efficiencies – compatible with open-book pricing approach.
- Investment/commitment of contractors to large-scale contracts.

4.2.4 **Variant Options**

- Different contractors appointed for planned works and for cyclical/responsive works.
- Potential later evolution to establish Joint Venture or to bring workforces into Wholly-Owned Subsidiary.

4.2.5 **Key Concerns**

- Alignment of contractor values with those of BHCC (eg profit versus performance).
- Capacity/capability of contractors to undertake large-scale contracts and deliver promises.
- Less direct influence over resident opportunities/achievement of added value.

4.2.6 **Additional Considerations:**

- **Administration** – Contract management will be required in respect of each external provider. The larger the numbers of contractors appointed, the greater the challenges for integrating management of their performance.

Extent of contract administration will also depend on the cost model adopted. Administration of a schedule of rates or a full open-book approach is much more intensive than, for example, a price per property or annual price approach.

- **Client controls over cost/time** – The extent of the controls available to BHCC will depend on the contract type and duration. If contractors have invested in a long-term contract in line with BHCC's delivery model, then controls can be created through regular performance reviews and measurement of performance against clear targets. Thereby, there is a contractual incentive for contractors to improve performance and deliver agreed goals.

Additional controls can be exercised through choice of particular types of contract and these are particularly prevalent in "partnering" type contracts (such as BHCC's current contract with Mears), for example those that require:

- Programmed processes that BHCC can monitor over the duration of the contract.
- Early warning of problems and reference to a core group of client attendance.
- Advance evaluation of change.

- Advance evaluation of risk management.
 - Transparency of prices.
 - Client access to second-tier supply-chain arrangements.
 - Alternative dispute resolution.
- **Financial/managerial commitments by BHCC** – There is no capital investment required in contracts with external contractors or delivery partners, nor any client management input to a vehicle through which the works are delivered. BHCC's commitment will be linked directly to the extent of contract management and the coordination and integration of the contracts awarded to different contractors according to work type.
 - **Flexibility** – Flexibility can be achieved through capacity and performance-based reallocation of work and other contractual processes, for example under an alliance agreement signed by all contractors (eg planned and responsive).
 - **Innovative/tried and tested** - Appointment of external contractors is a tried and tested approach with opportunities for innovation. The marketplace will expect to respond to this model, although it is arguable that contractors have become complacent as to their obligation to deliver promises made at tender stage.
 - **Integration and consistency** – Whatever the number and range of contractors appointed, BHCC will have the opportunity to develop its own standard as the basis for procurement and to seek consistent specifications across new-build and existing homes. The extent to which there are variations from this standard to reflect the requirements of particular stock or other variable requirements will be a function of contract management. Management of these variables will be important so as to maintain the benefits of a common supply-chain across the appointed contractors and the economies that will come with the increased buying power that this creates.
 - **Market response** – Contractors are familiar with mid- to long-term contracts and the responsibility they will assume on a long-term basis. They are sometimes not familiar with the requirement for programmed improvements over the life of a long-term contract, and the machinery necessary to drive this and maintain motivation will need to be carefully considered and communicated during the procurement exercise and the formulation of the relevant contracts.
 - **Number of contractors** –The optimum number of contractors will attract maximum investment in/commitment to the Programme, while maintaining some element of ongoing competition to incentivise improved performance.

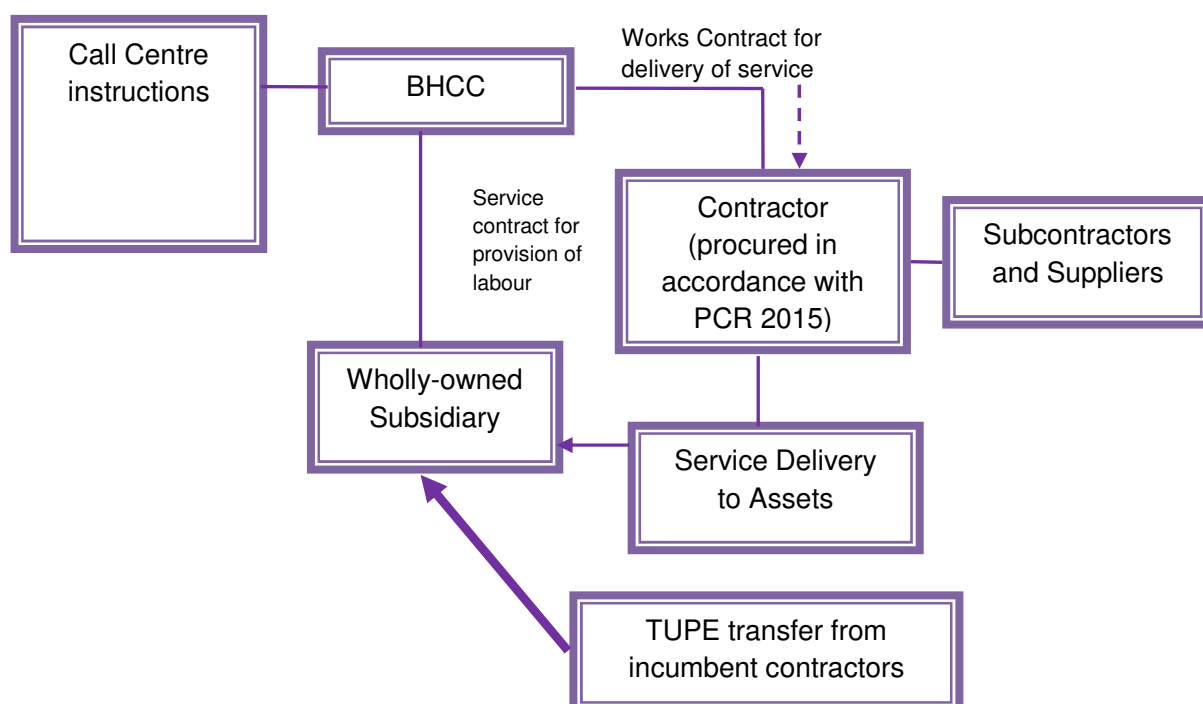
- **Responsibility for employees** – Under external delivery, the contractor will be wholly responsible for its employees, including those inherited from the outgoing contractors.
- **Tax**– we would expect that the VAT currently charged by the contractor is fully recoverable by BHCC if it falls within the following HMRC guidance: "providing domestic accommodation to people seeking housing (normally on a list maintained by the authority) or dispose of properties under the 'right to buy' legislation.... This is regardless of circumstances and whether they are acting under any special legal regime applicable to them".
- **Warranty of work** – The strength of the contractor warranty will be dependent on the terms of the relevant contracts. This model does not involve any dilution of that warranty.

4.3 Option 3: Wholly-Owned Subsidiary (and Managed Service)

This is an innovative option where employees are engaged by BHCC but treated as part of contractor's supply-chain and managed by the contractor. This Option is established in the competitive market as a means to improve employee loyalty and client controls, to minimise impact of contractor insolvency and to preserve the contractor's warranty of the workforce (which is more limited under the Managed Service Option).

The key difference between the Wholly-Owned Subsidiary Model and the Managed Service model tends to be the limited contractor warranty and liability under the latter model: under the Managed Service Option, the contractor will not assume "single point responsibility" and will generally not be responsible for the productivity levels of the Subsidiary employees/cost overruns etc.

4.3.1 Diagram



4.3.2 **Wholly-owned Subsidiary Option - overview**

- Creation of Wholly-owned BHCC Subsidiary to provide workforce for all planned/cyclical/responsive works.
- Current contractor staff TUPE transferred to Wholly-owned Subsidiary.
- EU procurement of external contractor(s) to undertake all planned/cyclical/responsive works using Subsidiary workforce.
- Subcontractors/suppliers procured by contractors (non-EU) and reviewed/shared as appropriate.
- Performance-based award/extension of contracts.

4.3.3 **Key Advantages**

- Maintains full contractor warranty of work (NB: this would be diluted under the managed service model).
- Commercial incentive for contractors to improve performance/productivity (again, this would be diluted under the managed service model).
- Mitigates risk of contractor default/insolvency by bringing workforce "into" BHCC.
- Commercial motivation and potential for supply-chain savings and efficiency savings (more limited under the managed service model).
- Investment/commitment of contractors to a large-scale contract.
- Scope to create resident opportunities through subcontractors/suppliers and direct influence over the same.

4.3.4 **Variant Options**

- More than one Wholly-owned Subsidiary for workforces of different work types (eg one for responsive repairs one for planned works).
- Wholly-owned Subsidiary only for cyclical/responsive workforce.

4.3.5 **Key Concerns**

- Alignment of contractor values with those of BHCC.
- HR responsibility for Subsidiary employees will require robust management and incentivisation.
- Capacity/capability of contractors to undertake large-scale contracts and deliver promises.

4.3.6 Additional Considerations

- **Client controls over cost/time** – Offers cost transparency as to employee costs, but need for clear contractor incentive to ensure productivity of Subsidiary employees.
- **Financial/managerial commitments** – Capital investment in Subsidiary should not be significant as it can share existing systems of BHCC (although note above regarding direct delivery and IT requirements). Need to align with BHCC's financial structure. Managerial commitment should also be relatively limited as Subsidiary does not involve shared management with private sector partner (as with the JV Model).

Most significant BHCC resource will be from HR in managing the interface between Subsidiary responsibilities as "employer" and contractor responsibilities for operational management.

- **Flexibility** – Potential flexibility in redeployment of BHCC Subsidiary employees if contractor agrees to supplement workforce as required and/or take secondments for other purposes, subject to employee rights.

Greater flexibility in event of contractor breach/insolvency as workforce remains within BHCC group.

- **Improved Sustainability** - Access via contractor to re-engineering of second-tier supply-chain to drive further savings/efficiencies and to address improvements in sustainability beyond those established at tender stage.
- **Innovative/tried and tested** - Previously seen as an innovative model but now accepted as a bona fide delivery Option in the current marketplace (although reduced number of contractors with demonstrated experience of this model). It addresses the risk of contractor insolvency, creates transparent structures that enable cost savings and preserves strong contractor warranty.
- **Integration and consistency** – Requires coordinated approach to integrate the workforces engaged by current contractors. More than one Subsidiary (eg one for planned and one for responsive) would impact on consistency (see below for "number of contractors").
- **Market response** – Will not be familiar to all contractors, but significant number of medium and major players are willing to adopt this approach. Extent of contractor commitment can be tested through procurement under Competitive Dialogue (NB. The Restricted Procedure is unlikely to be appropriate).
- **Number of contractors** – Subsidiary can serve more than one contractor, but would create tensions as to priorities in deployment of workforce and would need careful management.

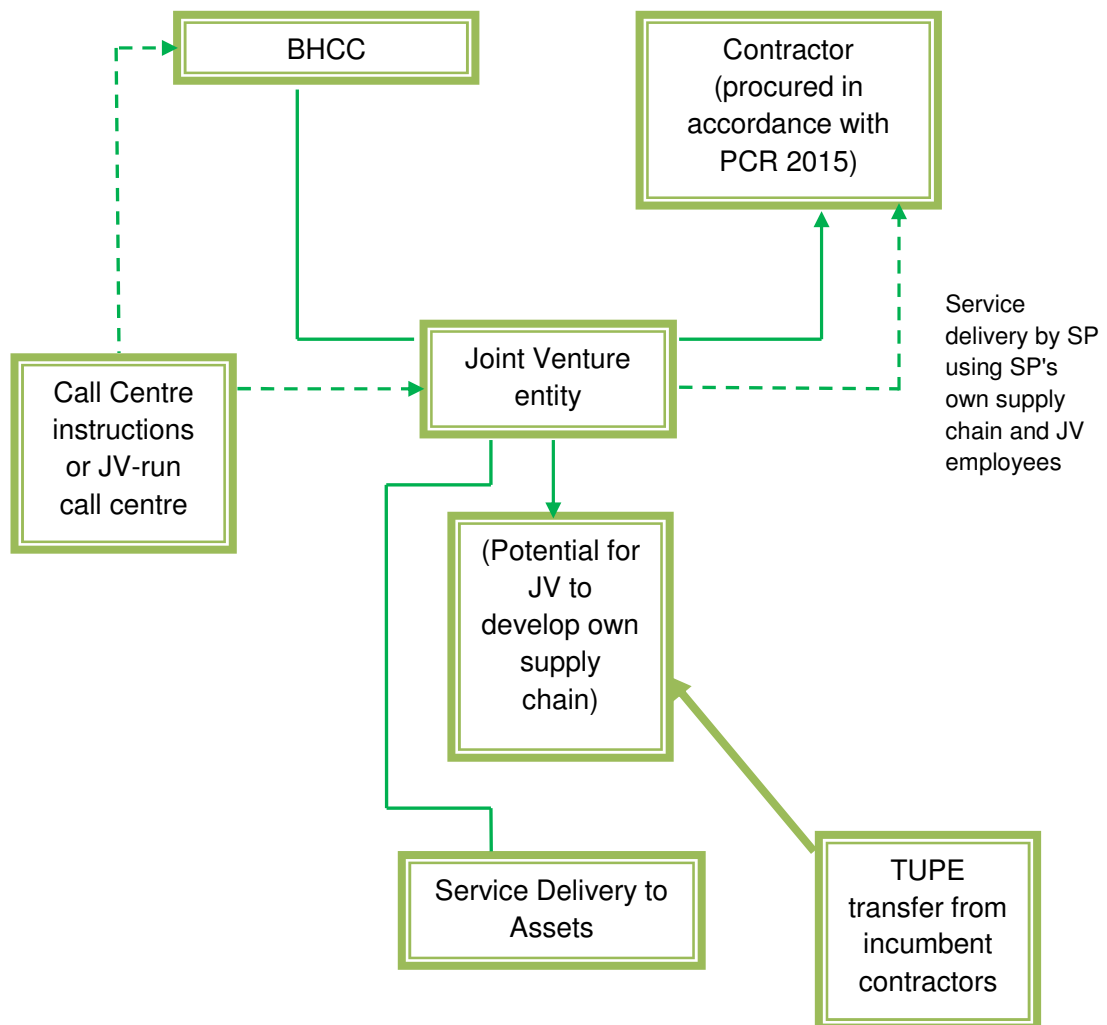
Not advisable to create multiple Subsidiaries unless justified on delivery grounds (eg due to work splits).

- **Responsibility for employees** – Employees are engaged and paid by Subsidiary, but contractual arrangements can establish operational responsibilities of contractor that include a wide range of employee matters.
- **Tax** – the overall VAT position would be the same as under Option 2. There is the likelihood of some corporation tax payable as the Subsidiary would be deemed to receive an arm's length price for its services which would be subject to corporation tax. The Subsidiary may be able to claim mutual trading status which would mean no corporation tax is payable. If BHCC was leasing office space to the Subsidiary then we would expect that the Subsidiary would be able to claim SDLT group relief if it is a company limited by shares.
- **Warranty of work** – Contractor's administration of separate contracts between BHCC/Subsidiary would enable BHCC to expect contractor to preserve full warranty of work as if employees were part of its own supply-chain.

4.4 **Option 4: Joint Venture Option**

This is an innovative option whereby BHCC and its appointed contractor would jointly deliver works or certain resources through a jointly-owned entity. This Option is effective as a means to improve employee loyalty and client controls, to minimise impact of contractor insolvency and to preserve the contractor warranty of the workforce.

4.4.1 Diagram



4.4.2 Option 4: Joint Venture Option - overview

- EU procurement of private sector Joint Venture partner.
- All planned/cyclical/responsive works undertaken by Joint Venture.
- Current contractor staff TUPE transferred to Joint Venture.
- Performance-based award/extension of Joint Venture contract.

4.4.3 Key Advantages

- Aligns contractor values with those of BHCC.
- Commercial incentive for Joint Venture to improve performance/productivity.
- Mitigates risk of contractor default/insolvency by bringing workforce and supply-chain into BHCC control (depending on shareholding of JV).
- Investment/commitment of contractor to Joint Venture.

- Opportunities for third party business.

4.4.4 **Variant Options**

- More than one Joint Venture reflecting different types of work awarded.

4.4.5 **Key Concerns**

- Mixed Joint Venture (BHCC and contractor) warranty of work.
- Management expertise/resource required for Joint Venture (by both BHCC and contractor).
- EU procurement of subcontractors/suppliers limits flexibility and supply-chain savings.
- Capacity/capability of contractor to undertake Joint Venture and deliver promises.

4.4.6 **Additional Considerations**

- **Administration** – Increased administration of the Joint venture entity, given BHCC's involvement in the ownership and management of the Joint Venture. In terms of contract administration: reduced client administration depends on the cost model. For example, price per property or maximum price per annum models significantly reduce client administration and can be integrated with the Joint Venture model, if contractor is willing to take responsibility for cost of Joint Venture employees.
- **Client controls over cost/time** – Cost transparency as to employee costs, but need for clear incentives as to employee productivity.
- **Financial/managerial commitments** – Capital investment in Joint Venture could be significant dependent on range of business to be undertaken. Managerial commitment could also be significant in view of shared management with private sector partner. Significant resource will be from HR in managing the interface between Joint Venture responsibilities as employer and contractor responsibilities for operational management.
- **Flexibility** – Potential flexibility in redeployment of Joint Venture employees if contractor agrees to supplement workforce as required and/or take secondments for other purposes, subject to employee rights. Greater flexibility in event of contractor breach/insolvency as workforce remains within the direction of BHCC (assuming a BHCC-led Joint Venture).
- **Improved Sustainability** - Access via contractor to re-engineering of second-tier supply-chain to drive further savings/efficiencies and to address improvements in sustainability beyond those established at tender stage (flexible over lifetime of contract).

- **Innovative/tried and tested** – An innovative model that is being refined to reflect offers emerging in the marketplace, addresses client concerns as to risk of contractor insolvency, creates transparent structures that enable cost savings and shared contractor warranty (in support of Joint Venture). Also enhances the opportunities for third party business.
- **Integration and consistency** – Joint Venture structure would operate across BHCC's stock to support consistent integrated approach.
- **Market response** – Will not be familiar to all contractors, but significant number of major players will be willing to adopt this approach. Extent of contractor commitment can be tested through procurement under Competitive Dialogue (NB: the Restricted Procedure would not be appropriate here).
- **Number of contractors** – Due to initial cost and investment, not advisable to create multiple Joint Ventures unless justified on commercial grounds, but is possible, if desired (eg if BHCC wanted separate JVs to cover .
- **Responsibility for employees** – Employees are engaged and paid by Joint Venture, but contractual arrangements can establish operational responsibilities of contractor that include a wide-range of employee matters.
- **Tax** – the tax position is the same as under Option 3 although there is no possibility of claiming mutual trader status and no possibility of claiming SDLT group relief if BHCC owns less than 75% of the shares of the Joint Venture.
- **Warranty of work** – Shared warranty of work by BHCC/contractor through Joint Venture.

4.5 **Mixed-market economy**

Given the mix of work to be procured by BHCC, it may be that it seeks to adopt a mixed-market economy and seeks to (for example) use a direct-delivery solution for the client function for the planned works (eg. strengthen the current client capability in-house so that BHCC can survey homes, scope planned works programme, compile a programme budget, consult tenants and leaseholders, establish and monitor value for money etc.) and/or for a portion of the repairs and maintenance works to be undertaken (eg on particular estates or in well-defined areas of the City), alongside an outsourced solution (either via Options 2, 3 or 4) for the remainder of the repairs and maintenance works and planned works. It should also be noted that framework agreements can be set up with one or many contractors, with the latter bringing the benefit of BHCC being able to move work around its framework contractors in the case of non-performance.

A mixed-market economy would allow BHCC to implement works-specific procurement solutions. It is unlikely that the achievement of an overall value for money solution would be undermined by adopting a mixed-market approach. Potentially, splitting out repairs and maintenance works from planned works could improve VFM if the planned work is properly programmed over a longer term, allowing economies of scale and efficiencies of delivery

to be achieved. The relevant contractor marketplace will deliver and price those works accordingly and will not cross-subsidise (eg) the repairs and maintenance works (delivered via TUPE'd and directly employed staff) through the planned works (usually delivered via sub-contractors and arms-length supply-chains) at the point of tender.

5 **Vires issues**

This section of the report explores vires considerations for each of Options 3 (Wholly Owned Subsidiary/Managed Service models) and 4 (Joint Venture model), where either a company limited by guarantee or limited by shares will need to be considered. A full analysis of vires issues in relation to Options 3 and 4 is set out in **Annex 1** of this Report.

6 **Tax position**

6.1 As a general comment, the tax position is broadly comparable across all of the Options and therefore we would not expect tax to heavily influence which Option is chosen.

6.2 In relation to VAT, the VAT should be fully recoverable if it relates to the provision of domestic accommodation to people seeking housing (normally on a list maintained by the authority). Therefore, if that is the case, BHCC should be able to recover VAT charged by the contractor under Option 2, by the Subsidiary under Option 3 and by the joint venture company under Option 4. Under Option 3, the Subsidiary should be in a full VAT recovery position as should the joint venture company under Option 4 and so we would not expect VAT to be an absolute cost under any of the Options. If VAT is not fully recoverable by BHCC then the VAT cost will be broadly the same under each of the Options.

6.3 In relation to corporation tax under Option 3, we would not expect this to be a material cost which would prevent this Option from being implemented, but advise that some modelling should be undertaken. The Subsidiary would be deemed to receive an arm's length price for the services it provides to BHCC and this would form part of its taxable profit for corporation tax purposes. The Subsidiary would be able to deduct various costs in calculating its taxable profit (e.g. staff costs, any rent). The corporation tax rate is currently 19% (reducing to 17% from 1 April 2020). It may be possible to claim mutual trader status which means no corporation tax would be payable although this can be commercially restrictive and is unusual. It would be difficult if the Subsidiary was a company limited by shares. Therefore, we would advise that clearance from HMRC is sought before relying on mutual trader status being available.

6.4 In relation to corporation tax under Option 4 (Joint Venture), the position is the same as under Option 3 (WOS and Managed Service) although there would not be any possibility of claiming mutual trader status.

6.5 In relation to stamp duty land tax (**SDLT**) under Option 3, we would expect SDLT group relief to be available on any land transactions between BHCC and the Subsidiary (e.g. leasing warehouse space) if the Subsidiary was a company limited by shares (but not if it was a company limited by guarantee). It would also not be available under Option 4 if the joint venture company was less than 75% owned by BHCC.

6.6 Under Options 3 and 4, the Subsidiary (in the case of Option 3) and the joint venture company (in the case of Option 4) would have various tax compliance obligations. This would include filing corporation tax returns, VAT returns and PAYE returns.

7 HR/Employment issues arising

- 7.1 The existing repairs and maintenance service is delivered by one contractor. Whichever of the proposed Options is adopted, it is likely that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (**TUPE**) will apply to those employees of the existing contractor where there is an organised team delivering those services and the employee are assigned to that group of employees whose principal purpose is the delivery of the services to BHCC.
- 7.2 Those employees who are subject to TUPE, and who do not object to transferring, will transfer to any BHCC direct labour entity (DLO), newly appointed contractor, wholly owned subsidiary or joint venture vehicle. The employees will transfer on their existing terms and conditions of employment, and with the benefit of all rights and obligations associated with their employment, other than in connection with an occupational pension scheme, except in certain circumstances where employees have membership of a public sector pension scheme. Changes to transferring employment terms will only be permissible in limited circumstances. The cost of transferring employment costs will be critical to the contract price that BHCC will need to pay to the new contractor. That new contractor will inherit all liabilities under the contract, whether known or not, and this risk will be priced for. In addition a tender may be predicated on changes being made to transferring terms, but if so it is likely that the associated risks of legal challenge would be factored into the price. For this reason although a private sector partner will be able to offer more competitive labour costs than BHCC itself could offer if it required to accept significant legal risk the savings may be less than expected. It is worth considering if there are indemnities from the existing contractors which could be relied upon by the new contractor which could help mitigate these risks and reduce costs. This may influence tender prices submitted during any tender process, or negotiated afterwards.
- 7.3 Depending upon the manner in which the current services are delivered, there may be circumstances in which TUPE does not strictly apply by operation of law, even though the employees of the existing contractors are engaged in delivering services for BHCC. This may arise if employees have been deployed over several contracts and this may also be relevant if more than one new contractor is appointed, when it may be possible to show that a service has fragmented so that it is impossible to map where any one employee's role has transferred to. This is unlikely to be relevant here however, unless within the leisure procurement a decision is taken to individually contract elements of the service.
- 7.4 There are restrictions imposed by TUPE on the ability of any new contractor, whether an outsourced third party or a wholly owned subsidiary/joint venture entity, to make changes to employees' terms and conditions or to dismiss employees by reason of a TUPE transfer. There is an exception in circumstances where there is an economic, technical or organisational (**ETO**) reason entailing a change in the numbers or function of the workforce. In the absence of such a reason, changes are likely to be unenforceable, and dismissals will be automatically unfair. Significantly the fact that current pay and benefits are not competitive in terms of the local market is not an ETO reason in most cases because there is no change to the numbers or functions of the workforce. A new contractor may be able to take on new staff on different terms and conditions but it is important to be wary of the savings which may be readily achievable in terms of transferring employees.

- 7.5 It should be noted that a new employer will also inherit trade union recognition and where there is both a recognised trade union and collective agreed terms incorporated into employees contracts, for example green/red book terms, there can be further hurdles to achieving any change of contract terms in light of the protection for collective agreements found in trade union legislation. Accordingly if a new contractor bases a tender on achieving significant employment cost savings it is appropriate to assess the feasibility of the legal and HR assumptions underpinning that tender, especially if it is the tender is based on risk sharing with BHCC.
- 7.6 If there is an ETO reason entailing a workforce change, or if changes are not by reason of the transfer, they may be implemented under normal principles. This would require employees either to have agreed to the new terms (but note comments above), or to have been dismissed and re-engaged. In the latter case, employees may be able to advance claims of unfair dismissal. (However, such a dismissal may trigger pension strain if the employee is over 55 and pensions costs must be considered). Any such claims may be capable of being defended if there is a legitimate business reason for the changes, and employees have been fully consulted with.
- 7.7 Furthermore, the full and fair consultation process which must be undertaken may include statutory obligations in relation to timing. If the proposals affect 20 or more employees within one establishment, collective consultation must begin at least 30 days before the first dismissal is to take effect; 45 days before if there are more than 100 affected employees. Consultation can now commence before transfer if certain conditions are met, but notice of dismissal must not be served until after transfer.
- 7.8 If employees transfer to a wholly owned subsidiary or joint venture entity (rather than an independent third party contractor), BHCC must be mindful of the potential for equal pay comparisons to be drawn between employees of BHCC and the new entity.
- 7.9 The law on equal pay is set out in the Equality Act 2010. A cross employer comparison is possible under the Equality Act if services are to be delivered by a wholly owned subsidiary if the employees are to be employed on the same terms and conditions (in a broad sense) to BHCC employees employed, quite likely if the employees transferred out of BHCC and terms and conditions have been preserved. In any event running in parallel to the UK Equal Pay Legal Framework is Article 157 of the Treaty on the Functioning of the European Union (formerly Article 141 of the EC Treaty) which has direct effect and which sets out the principle of equal pay for male and female workers if there is a single body is responsible for the inequality which can restore equal treatment. This is complex area and more detailed legal advice may be required but at this stage it is important to stress that there can be hurdles to achieving more market based terms and conditions of employment beyond simply TUPE. The law on equal pay is designed to prohibit differences in pay and benefits because of sex. If employees identify appropriate comparators, who are treated differently, it will necessary for the employer to advance a "genuine material factor" defence to an equal pay claim. Such a defence will need to demonstrate that the difference in pay is not by reason of the difference of sex, or, if the reason is tainted by discrimination, that it is objectively justified. Where differences in terms arise because of protection under TUPE, such a defence can ordinarily be advanced.
- 7.10 BHCC can manage the risk of an equal pay comparison arising out of the differences in terms and conditions between BHCC and any subsidiary by giving the subsidiary or JV

vehicle complete authority (subject to complying with TUPE) to make decisions about its respective terms and conditions for their employees so that BHCC does not have the power to "rectify" any differences in terms should one arise. This will provide the basis for a defence to any claim arising out of a "single source" argument and ensure that any changes to terms and conditions are supported by a fully developed business case with reasons which are not gender or gender-related.

8 Pensions issues arising

Each of the Options will require BHCC to consider any pensions liability in relation to the employees engaged in providing the services. A full analysis of the pensions implications for each Option is set out in **Annex 2** of this Report.

9 Form of Delivery Contract

9.1 To deliver the proposed programme via an external contractor, BHCC has two main options in terms of the type of contract:

9.1.1 Term Contract: This would involve BHCC and the selected service provider entering into a form of term contract, probably based on one of the industry standard forms. Term Contracts can be entered into for an unlimited period of time, subject to BHCC being able to demonstrate best value and any other requirements of its standing orders or internal procurement policy; or

9.1.2 Framework Agreement: This would comprise BHCC and one or more selected service providers entering into a framework agreement, which would establish the terms and conditions and prices under which BHCC could award individual works contracts to a selected service provider during a 4 period. Framework Agreements need to contain details of how contracts could be awarded: this is usually by direct selection of the service provider who ranked 1st in the tender exercise to set up the Framework Agreement, or via re-opening competition to all service providers who are capable of performing the works. It would also need to contain the terms and conditions of any delivery contract entered into, and the service provider's tendered prices for delivering the works. Framework Agreements are limited under the Public Contracts Regulations 2015 to 4 years' duration, though it is possible to award contracts that extend beyond the four year term.

9.2 If BHCC chose to select a Framework Agreement for the repairs and maintenance works too, this would mean that Options 3 (Wholly Owned Subsidiary/Managed Service) and 4 (Joint Venture) would be difficult to achieve.

9.3 Regardless of the choice of Term Contract or Framework Agreement, it will be important for BHCC to ensure that the specifications and prices governing the responsive repairs can be called off by BHCC by way of a "menu" of specific works (i.e. that BHCC can instruct both the responsive and planned works by reference to quoted and agreed prices) rather than by a further iterative process necessary to develop the brief and price for each project/task/element of work. Where a term contract is used, if there is insufficient clarity in that contract as to the nature of the works and their prices, then the new contracts would be treated legally as framework agreements and potentially subject to a 4 year limit and/or a challenge in respect of any attempt to create a longer term contract.

- 9.4 Under outsourcing (Option 2) or in a Joint Venture (Option 4) or Wholly-owned Subsidiary (Option 3), the contractor will invest significantly in its relationship with BHCC. In Option 4, the contractor is likely to forego a significant proportion of its profit so as to satisfy the structural requirements. It will therefore be fundamental to the contractor to have a long-term relationship with BHCC and the duration of the contract and related break clauses should reflect this. Clearly, once the maximum duration of that contract has expired, BHCC will need to undertake a further regulated procurement exercise and the contractor/Joint Venture partner will be put back into competition.
- 9.5 To facilitate effective contract management and control, the contracts used to implement the responsive and planned works under any Option should include the features set out below. It should be noted that these features are primarily associated with a "partnered" approach to contracting, although all or any of these features could be added to more traditional approach or form of term contract. The suggested features are:
- 9.5.1 a mobilisation period under which the contract is awarded on a conditional basis while the selected contractor prepares its workforce and equipment so as to be ready to take over on a designated date from the outgoing contractor (this assists in TUPE/IT and other practical arrangements);
 - 9.5.2 an open communication system with a "*core group*" of key individuals monitoring performance and troubleshooting problems, linked to an early warning system bringing issues to the notice of BHCC at the earliest opportunity;
 - 9.5.3 clear and simple KPIs with systems for measuring/reviewing performance linked to incentivisation so as to reward improved performance such as cost savings, reduced time on site, reducing accidents, reduced defects and improved resident satisfaction (whether by extension of the contract term and/or by additional payment);
 - 9.5.4 provisions for advance evaluation of change and exclusion of profit and overhead from any change claims so as to avoid misunderstandings and disputes;
 - 9.5.5 provisions governing development of improved working practices so as to minimise BHCC's need to commit its own resources to the programme;
 - 9.5.6 systems for non-adversarial problem-solving and dispute avoidance; and
 - 9.5.7 A contractually binding timetable governing deadlines for both mobilisation activities and ongoing implementation of the Programme including measures to achieve improved processes.
- 9.6 Prior to any procurement process proceeding, we would recommend that BHCC identifies its preferred form of contract(s) for both the responsive and planned works. The selected form of contract will need to be set out to bidders as part of the procurement procedure and will need to be aligned with both the agreed specifications and the chosen cost model.
- 9.7 In **Annex 3** of this Report, we have enclosed a comparison of forms of contracts to provide BHCC with an overview of the features of the different suites of standard form contracts (adopting both a partnered and a traditional approach).

9.8 Once any form(s) of Term Contract have been adopted, BHCC staff will need to be fully trained in the selected forms in order to achieve a single approach to contract management, in-depth awareness of all the client controls provided by the contract and all of the processes set out in the documents, even if they are familiar with the selected form(s) in order to achieve a standardised approach to the relevant works. If Option 1 (Direct Delivery) is selected, we would recommend that the service level agreement also adopts the key features of the selected form(s) of contract (or the SLA is in the form of the contract itself) so that the client-side asset management team is dealing with all contractors on an identical basis.

10 **ICT, call centres and data governance issues**

10.1 **General comments**

10.1.1 ICT can broadly be split into a requirement to support three functions:

- i Works ordering and completion: The systems to support the diagnosis and logging repairs, reporting of works, logging of work completions and processing of payments; and
- ii Stock information: The systems to hold stock records and identify future work requirements and completions; and
- iii Works management: The systems to support the logging of repair details, dynamic work scheduling, resource allocation, mobile working and progress updates, capture pricing information and invoicing.

10.1.2 In addition there is a requirement for systems to support HR and Finance needs. These are likely to be present within the existing client operation so we do not focus on these requirements in this Report.

10.1.3 Under Option 1 there will be a requirement for BHCC to have the ICT systems to support all three functions listed above. This is likely to result in a significant ICT investment if Option 1 is selected. We are aware that there is a project underway to replace the core housing ICT systems but it seems unlikely that this would cover the works management function at this stage. Consideration would need to be given to the extent to which the procurement of the new housing ICT system could provide the necessary works management functionality. Whilst such functionality is available in some core housing systems it does not always meet the full requirements of maintaining an efficient DLO.

10.1.4 In outsourced models the works management systems will be contractor-owned and typically the data and works ordering systems will be client owned. That said, there are a number of outsourced models where contractor systems are utilised, either in full or in part, to support these requirements. We understand that this is the case for the current BHCC contract.

10.1.5 For Option 3 (Wholly Owned Subsidiary/Managed Service) and 4 (Joint Venture) there is no typical approach and the use of ICT systems should be dependent upon finding the solution that best meets objectives. In any model where there is the involvement of an external contractor it is likely that that

contractor will have ICT to support some or all of the functions identified above. The use of existing contractor systems can help to reduce mobilisation and overhead costs. However, care needs to be taken to ensure that the systems are fit for purpose and that BHCC has appropriate access. There also needs to be appropriate mitigation of the risks associated with losing access to the systems at the end of the term. There are a number of issues around data in third party systems and some of these are discussed further below.

- 10.1.6 In our experience, while contractors often have strong works management systems, the quality of systems for works ordering and stock data is more varied. Where stock data, and particularly stock condition data, is held externally the risks associated with a single party identifying work requirements and subsequently undertaking them are amplified. Where external works ordering systems are utilised there is a risk that social objectives, including digital inclusion and the ability to access services electronically, become more difficult to achieve.
- 10.1.7 Whatever the ownership of the ICT systems it is essential that BHCC maintains the ability to interrogate and extract appropriate data from them. This is discussed further in the data section below.

10.2 **Call Centres**

- 10.2.1 There are a number of options for the handling of calls. These include a client hosted generic call centre, a client-hosted repairs specific call centre, a contractor hosted call centre or a third party call centre. We understand that under BHCC's current arrangement the call centre function is managed by the contractor.
- 10.2.2 There are a number of advantages to such an arrangement. These include:
- (a) Greater repairs specific skills and experience;
 - (b) Co-location with works planning and trades teams; and
 - (c) Better understanding of the contract requirements.
- 10.2.3 However, there are also a number of risks including:
- (a) Focus on the contractor's commercial objectives;
 - (b) Resource conflict between multiple contracts;
 - (c) Failure to embrace the clients service ethos; and
 - (d) Inability to deal with wider customer requests.

In our experience, clients need to work very closely where there is an external contact centre in place in order to ensure that service meets the required standard. It therefore should not be assumed that an externalised call centre function is free from client involvement or management.

- 10.2.4 The use of a generic call centre to handle repair requests is common in the sector. The key advantages of such an approach are around cost and efficiency. Smaller providers in particular may find that a repairs specific call centre could not achieve critical mass. The risks associated with generic call centres centre around lack of specialist knowledge resulting in unnecessary or inaccurate repair requests. The impact of this can be additional cost or poor customer service. In our experience, generic call centres that successfully handle repairs requests are usually backed up by strong technical support. This can be delivered through a combination of access to skilled technical resource and appropriate ICT systems.
- 10.2.5 In our experience it is important that, regardless of which party takes responsibility for the contact centre, there is an element of co-location between the works planning functions and the call centre. Where there are no or ineffective relationships between call centre and works planning functions, the risk of misdiagnosis and missed appointments are increased. This can result in increased costs and reduced customer satisfaction.

10.3 **Data**

- 10.3.1 The data impact of ICT and call centre decisions need to be carefully evaluated. Whilst not the topic of this Report, it is also essential that BHCC meets its requirements in respect of data protection.
- 10.3.2 Where ICT or call centres are provided externally, the risk of clients losing visibility of key data is increased. In terms of repairs, information around work value, volume, content and type are important to enable the client to understand cost and service drivers and challenge efficiency. In addition it may be difficult for a client to competitively retender the service at the end of the term as they will not be able to give the market insight into the requirements.
- 10.3.3 In respect of planned works, information on work completions, warranties and certification is also vital. Where stock condition data is held externally it is critical that BHCC maintains access to this and can export the data to incorporate into an alternative system at the end of the term. In a scenario where stock condition data is held externally, it is particularly important that the risks associated with a single party identifying requirements and subsequently undertaking works are very carefully managed. We have seen examples where providers have effectively lost control of work requirements/programmes as a result of outsourcing without maintaining effective governance.
- 10.3.4 Wherever the data is held, BHCC needs to be able to validate and interrogate it. In our experience this is a common problem where data is held externally. There is a particular risk where data used to calculate performance indicators that measure contractor performance against the contract is held by the contractor. The risk is perhaps greatest where there are incentives linked to those performance indicators.

11 **Section 20 (leaseholder consultation) issues**

- 11.1 Leaseholder consultation is an area of risk for BHCC in assessing Options insofar as any Option neglects such consultation or risks leaseholder challenge, for example by reason of insufficient cost information at the point of contractor selection.
- 11.2 Section 20 of the Landlord & Tenant Act and the provisions of the Service Charges (Consultation Requirements) (England) Regulations (the **Service Charges Regulations**) relate to consultation of any tenant whose variable service charges are affected by the costs incurred under the proposed agreements. BHCC is already aware that if it wishes to recover variable service charges from those affected residents it will need to issue appropriate notices to leaseholders, any assured tenants whose variable service charges are affected by the works or services and any recognised tenants' association that represents any of those leaseholders or assured tenants.
- 11.3 Moving forward, if BHCC decides to split the responsive repairs and planned works between two different contracts, it may decide that it does not need to consult on the former contract, if it is not seeking to recover costs for those works via the variable service charge.
- 11.4 Given that any procurement undertaken by BHCC will likely:
- i be procured by BHCC; and
 - ii be procured pursuant to the Regulations; and
 - iii be for an agreement for more than 12 months; and
 - iv have a value over the OJEU thresholds,

We expect that the form of consultation will be that prescribed by Schedule 2 of the Service Charges Regulations.

- 11.5 Schedule 2 avoids nominations of contractors by tenants (because the OJEU notice invites bids from any EU contractor) and allows the creation of a long term agreement ("Qualifying Long Term Agreements" (**QLTAs**)). The advantage of a QLTA is that the landlord does not have to provide more than one estimate for the costs of the works each time a new piece of work is carried out, because the price has been consulted upon at the time the agreement was entered into.
- 11.6 The Service Charges Regulations require that the initial service charges notice (the notice of intention to enter into a qualifying long term agreement) must be issued before the OJEU notice and this will need to be taken into account in the procurement programme.

12 **Market Research and Peer Review**

12.1 **General comments**

- 12.1.1 In this section we have considered how each of the Options identified at section 4 is being adopted in the sector. We have also provided some observations on the key opportunities and challenges facing organisations under each delivery model.

- 12.1.2 Based on our experience across the sector we would highlight a number of factors that are common to successful delivery regardless of the chosen delivery method:
- (a) A strong client- in particular clearly defining and articulating requirements and performance management.
 - (b) Detailed understanding of future works requirements derived from up to date stock information.
 - (c) Effective packaging of works for efficient delivery.
 - (d) A forum for regular communication between key players who are empowered to make decisions to meet objectives.
- 12.1.3 Innovative work has been done in recent years to establish systems for clients and their contractors to work more closely with second-tier supply-chain members comprising suppliers, subcontractors and sub-consultants. Although the client has no direct contractual relationship with these organisations (unless, in practice, it has an "in-house" DLO performing its Programme rather than a DLO that is a subsidiary of the client), they are responsible for a great deal of the works delivered and related supplies/services and have direct contact with residents and a significant impact on resident satisfaction.
- 12.1.4 Second tier supply-chain members also have the capacity to develop more sustainable products and solutions, as well as to generate employment and training opportunities for residents and others in the local area of the client.
- 12.1.5 Accordingly, systems have been developed through engaging with contractors so as to "*re-engineer*" supply-chain relationships under open-book systems whereby the main contractor/subcontractor relationships are reviewed after the main contractor has been appointed so as to seek savings or additional efficiencies or other added value.
- 12.1.6 Opportunities for working more closely with the supply-chain can generate not only savings and improved efficiencies, but also significant community benefits by way of employment and training and also the nurturing and encouragement of SME businesses in the relevant region and this links in directly to increasing the social value outcomes for BHCC's residents, staff and stakeholders alike.
- 12.1.7 In our view social value objectives can be met effectively under any of the delivery models. In terms of adding social value we would note that clarity around aims and objectives and effectively targeting and monitoring outcomes are more important than the delivery model. That said, there is an argument that contractors in outsourced models have often failed to evidence delivery against social value commitments made at tender stage. Clearly the models where there is most direct control will allow the client the most control over meeting social value goals.
- 12.1.8 It is common to see different delivery models adopted for different work streams, particularly where the volume of work can support a split without impacting on operational delivery. A number of providers of a similar size to

BHCC are effectively delivering services through a range of approaches and can effectively demonstrate the value from each approach. Those considering a move away from an outsourced model are predominantly doing so for repairs and maintenance works. Outsourcing remains the predominant model for the delivery of planned/capital works.

12.1.9 The service could be procured on a basis that would allow the option to progress between delivery models. Typically the contract would commence under Option 2 (Outsourced) with the option to move to Options 3 (Wholly Owned Subsidiary/Managed Service) or 4 (Joint Venture) during the term.

12.1.10 The table below shows the high level cost centres associated with works procurement, mobilisation and delivery. While BHCC will ultimately bear all of the cost it is useful to note how the individual responsibilities vary between the delivery options. Also included is a range of typical set up costs for each model. In our experience set up costs vary greatly. The variation is primarily driven by the extent to which existing infrastructure can be utilised or adapted and the need to restructure the transferring workforce. The examples below are indicative and should be treated with caution at this early stage.

Activity/Cost centre	1) Direct	2) Outsourced	3) Wholly Owned Subsidiary/Managed Service	4) JV
Restructuring	Client	Contractor	Client	JV
Premises Fit Out	Client	Contractor	Contractor/ Either	Either
Premises Rent	Client	Contractor	Contractor/ Either	Either
ICT	Client	Contractor	Contractor/ Either	Either
Vehicles	Client	Contractor	Either/Client	JV
Supply Chain Procurement and Management	Client	Contractor	Contractor/ Client	Either
Procurement and Mobilisation Consultancy (Legal, Technical, Marketing)	Client	Client	Client	Client/JV
Branding	Client	Contractor	Client	JV
Uniform	Client	Contractor	Either/Client	JV
Materials (van stock) & Plant	Client	Contractor	Contractor/ Client	JV
Insurance	Client	Contractor	Both/Client	JV

Staff- Direct	Client	Contractor	Client	JV
Staff- Management	Client	Contractor	Client/Contractor	JV
Staff/Services-Overhead	Client	Contractor	Both	JV
Typical Client Set Up Cost	£1m-1.5m	£100k-£200k	£250k-£500k	£500k-£1m

12.2 Option 1

- 12.2.1 The use of DLOs has grown within the sector over recent years, particularly amongst larger housing providers. Among housing associations, the potential VAT saving available on labour has been a key factor in decisions to establish a DLO. For BHCC this is unlikely to be a consideration as VAT should be largely or fully recoverable.
- 12.2.2 There are a number of other reasons supporting the establishment of a DLO and a number of our clients highlight the value from having directly employed staff (who consider themselves part of the organisation delivering the service) as the primary benefit. In addition mitigation of the risk of contractor default/insolvency is another common driver.
- 12.2.3 In our experience the DLOs that have mobilised efficiently in recent years have made appropriate investment in staff and infrastructure at the outset and have often adopted a phased approach to mobilisation.
- 12.2.4 Operating a DLO requires different skills than those typically found in many public sector contract management teams. Where these commercial management skills do not exist, it is common to see ineffective productivity and time management. This is one of the key risks associated with this model. In our experience it is not uncommon to see examples of delivery costs inflated by 20% to 30% in organisations that fail to manage cost and productivity appropriately. Maintaining effective productivity management is therefore a fundamental requirement for successful delivery under this model. Although staff transferring via TUPE should ensure that the new DLO is adequately resourced, the lack of infrastructure and experience places this option in a high risk category as far as performance is concerned.
- 12.2.5 Generally speaking only the most efficient and commercial of DLOs will deliver works at or below current market rates. Amongst the DLOs that do, it is not unusual to see a conflict develop between delivery of service benefits and managing productivity and cost. It is therefore essential that realistic priorities and targets are agreed at the outset.
- 12.2.6 Generally in-house teams incur higher overhead costs than an equivalent private sector contractor as they do not have the same opportunity to spread those costs over a number of contracts.

- 12.2.7 Establishing a supply chain for materials and sub-contractors will require a parallel procurement at the same time as establishing the new DLO and this can prove quite challenging.
- 12.2.8 Responsive repairs remain the most common work stream for delivery via a DLO. It is less common, although not unusual, to see capital works delivered through this route. A clear understanding of requirements is necessary in order to ensure that workflow is adequate to keep the workforce productive. Where there is limited understanding and no regular workflow the result is often increased non-productive time and cost.
- 12.2.9 If BHCC chose to establish a DLO to deliver repairs work then the delivery of the capital programme would still need to be procured. In our experience a concurrent mobilisation can place a strain on resources and increase the likelihood of the risks associated with poor mobilisation materialising.
- 12.2.10 A summary of the gaps that we typically see when a provider moves to a direct delivery model are below:
- (a) Management staff - typically there is little or no experience of direct delivery management amongst existing teams and management staff do not always transfer.
 - (b) Delivery staff - again not all of the required resource may transfer. In addition the resource that does transfer may not fit future delivery plans.
 - (c) ICT - existing ICT systems rarely support direct works management effectively. In the case of BHCC this gap may be bigger as a result of some of the existing ICT being outsourced to the contractor.
 - (d) Supply chain - supplier and subcontractor arrangements are required and will need to be procured. An OJEU compliant process will likely be required.
 - (e) Premises - existing Council premises are unlikely to be able to support the direct works delivery.
 - (f) Vehicles and plant - these are unlikely to be in place and will need to be procured. An OJEU compliant process will likely be required.
 - (g) Processes and procedures - delivery processes and procedures (including risk assessments) will need to be developed. Whilst some may already be in place (for example lone working procedures) the majority are likely to need to be developed.
- 12.2.11 Owing to the extent of the existing infrastructure that could be used, it is difficult to establish the likely investment in mobilising a DLO with great accuracy at this stage. In our experience investment of between £1m and £1.5m are typical to effectively support the establishment of a medium size DLO. ICT investment is typically the largest cost item followed by external support (technical, procurement, legal, financial, marketing). Restructuring costs incurred following

any transfer of staff from the incumbent Service Provider can also be a major cost item but is commonly the most variable.

12.3 Option 2

- 12.3.1 Outsourcing, through either partnering or traditional approaches, remains a very common and well understood approach. We continue to see a large volume of works procured and delivered in this way.
- 12.3.2 In our experience the client organisations that provide greatest clarity around requirements/objectives, and have clear and simple performance monitoring systems continue to get the best out of outsourced arrangements. In addition clear pricing frameworks and appropriate incentivisation are common ingredients of approaches that deliver value of money.
- 12.3.3 Where an ongoing element of competition is maintained in an outsourced agreement, this is typically a strength, and can effectively support the delivery of performance improvements and value for money. However care needs to be taken that any mechanism for ongoing competition does not adversely impact the contractor's ability to invest in the relationship and mobilisation.
- 12.3.4 We see a number of outsourced arrangements which suffer as a result of failure to adequately resource mobilisation. In our experience this risk is particularly acute in relation to responsive repairs delivery and the provision of appropriate ICT. It is therefore essential that there is clarity around requirements at tender stage and that the duration of the contract reflects the need for the initial investment. We often observe operations suffering as a result of underdeveloped infrastructure leading to strained relationships.
- 12.3.5 There remains a split in the sector over the extent to which opportunities are divided in to lots. Single service provider models are not uncommon and we have recently worked with a number of providers who have procured works and services on this basis. However, in recent years our experience is that medium to large providers have more often split responsive and planned works under the outsourced delivery model. The expenditure forecasts and size and geography of BHCC's housing stock indicates that a split into Lots would be viable.
- 12.3.6 Whilst not the only option (and we understand in the past BHCC has engaged more than one contractor to deliver responsive works across the city), typically a single contractor model would be quite appropriate for a responsive works contract of this size/geography. The volumes of work orders and scale of work naturally fit into a bracket that would appeal to both national and larger regional contractors, all of whom would be expected to have the right infrastructure to manage such a contract.
- 12.3.7 At an estimated £88.9 million over the first 5 years it appears that the volume of planned works would support a multi contractor approach. The opportunity could be split in to lots (by work type) and, where appropriate, more than one contractor could be appointed a lot. Multi contractor frameworks remain a common mechanism in the sector and have been used effectively to maintain competition and contractor performance whilst providing the Client with more

flexibility than a term contract. Under this model, BHCC would need to ensure that the successful contractor(s) have an appropriate volume/term of work to invest appropriately in delivering the opportunity. Additionally, splitting works into specific lots that reflect the tenant/leaseholder mix can help ease leasehold consultation and aid recovery of costs.

12.4 **Option 3 (Wholly Owned Subsidiary/Managed Service)**

- 12.4.1 The Wholly Owned Subsidiary/Managed Service model is perhaps the least common of the approaches outlined in this Report. There is, however, a growing interest amongst providers. This is driven primarily by the potential tax benefits and mitigation of the risks associated with contractor default/insolvency. Whilst the tax benefits are unlikely to be a key issue for BHCC (given the likely ability to largely or fully recover VAT) the potential to achieve some of the benefits of having a DLO, without all of the infrastructure and commercial management requirements, can be particularly attractive. As a result of recent high profile contractor failures the potential to mitigate the risks associated with contractor insolvency is regularly cited as a key consideration.
- 12.4.2 The Managed Service model has been considered by a number of providers—typically either to strengthen the management of or expand an existing DLO or as part of ensuring that a newly established DLO has the appropriate commercial management skills. Its application in the sector has been limited which, in our view, is primarily due to concerns over fragmented ownership/responsibilities. The contractor managing the service will have more limited responsibility than they would have in an outsourced model and this may create additional risk for the client. However, the contractor managing the service can be incentivised to help manage risks around service delivery, quality and productivity/cost control.
- 12.4.3 There is a growing interest in the Wholly Owned Subsidiary model on the basis that it has the potential to mitigate some of the risks of the managed service model. This is because the contractor warranty can be more akin to the outsourced model and the contractor has more of an incentive to effectively manage productivity. A key concern includes the potential for conflict between the HR role in managing the employees in the subsidiary and the contractor role in operational management. Additionally, it is difficult for contractors to retain existing management teams for their own projects with considerable movement of staff between contractors in recent years, let alone employ good teams to manage these types of model that offer only a limited return from the contractor's perspective.
- 12.4.4 Whilst a lack of familiarity may limit market response there are no obvious barriers to suggest that contractors would be unwilling to adopt the approach. There are however, only a limited number of contractors experienced in these models which in itself creates a risk for any provider and potentially reduces the scope of any procurement exercise. We are only aware of only one contractor currently marketing/operating under the Managed Service model.

12.5 **Option 4 (Joint Venture)**

- 12.5.1 The establishment of joint ventures to deliver day to day maintenance and major repairs has become more common since BHCC last procured the service. Notwithstanding this, there have been numerous instances in the last 2 years of relatively long standing JV's being disbanded and services brought in house (as per Option 1 above).
- 12.5.2 The primary drivers for housing providers choosing this approach is the potential VAT saving and increased control. The JV option can allow these to be achieved whilst retaining the commercial management strengths of a contractor. That said we have seen a number of JVs where the RP has failed to achieve the control, cost or service benefits they desired. The challenges of partner selection and maintaining appropriate management of the partnership should not be underestimated.
- 12.5.3 JVs with contractors can be an effective way to achieve many of the benefits of establishing an in-house function. Key advantages over the establishment of a DLO include lower setup costs as a result of being able to leverage the partner's delivery infrastructure, and the commercial and operational management skills that come from the contractor. That said, it is our experience that initial investment will be required to mobilise an effective service. Failure to invest at the outset, or reliance on contractor infrastructure that is not suitable, presents a risk to successful operation.
- 12.5.4 In our experience, a key success factor is a client that is active in the management of the JV. It is too easy to play a relatively 'hands-off' role thus effectively giving control to the contractor partner. In addition, clarity about objectives, the agreeing of commercial incentives for the partners, and an appropriate governance structure are all critical to JV successful models.
- 12.5.5 There may be a smaller number of potential JV partners than there would be bidders for a traditional outsourced arrangement. This is often as result of perceived complexity and resource issues. It is therefore typical for larger contractors to be the primary players in this space.

13 **Procurement and mobilisation recommendations**

- 13.1 The successful re-procurement of the contract will depend upon many factors, one of the most important being the comprehensive scoping and packaging of the works such that the market is clear about BHCC's requirements and is able to accommodate these within the tender submissions.
- 13.2 Our understanding of the current contract is that the response, void and cyclical aspects are delivered to high levels of customer satisfaction and are cost effective when analysed through the latest Housemark 2017 benchmark report. This side of the contract is delivered via the Nat Fed Schedule of rates and overall, costs are very competitive when compared against current tender levels. Notwithstanding this, the number of repairs per property is less than benchmark yet the expenditure proposed on capital planned works is higher than our expectations when compared to other social landlords (bearing in mind the extensive investment over the last 10 years). There is a possibility that the revenue pricing does not fully reflect the cost of service delivery and is partly subsidised by planned works.

- 13.3 The planned works are split between planned preventative maintenance and large scale major capital works. The former operates under bespoke composite rates for specific work items whilst the latter operates under a 'cost +' arrangement whereby Mears invite tenders from selected sub-contractors for all packages of the programme and subsequently manage the delivery, charging their agreed overhead and profit levy. This cost is then established as an Agreed Maximum Price. The capital works programme does not appear to operate as effectively as the revenue works and struggles to demonstrate value for money. There are high charges levied on leaseholders, which in some cases are as much as £30-40,000 with some cases at tribunal. Consideration of the type of cost model for the new contracts is vital to ensure that appropriate leaseholder cost recovery can be achieved.
- 13.4 Whilst a number of Local Authorities (LB Hammersmith and Fulham, Slough Borough Council) have recently procured all inclusive 'asset management' type contracts covering revenue and capital work similar to the current contract, we believe that this type of contract structure is unlikely to be suitable for BHCC going forward. The most common arrangement within the social housing sector splits revenue and capital work (as discussed in paragraph 4.5 and Section 12 above) and due to the respective volumes of work in these 2 categories, this is likely to deliver best value for BHCC whilst reducing its risk exposure.
- 13.5 The volume of capital work is extensive at £88.9 million (based on BHCC figures and subject to review) over the next 5 years and by careful packaging to suit market capabilities and capacity, we believe BHCC will be able to satisfy all its social and economic agenda requirements whilst also delivering better value for BHCC and leaseholders. To achieve this however, we recommend that a full investment plan is developed and used to inform construction of a new pricing model rather than a repeat of the existing.
- 13.6 The R&M (revenue) work would therefore form a separate procurement and there needs to be clarity over whether this would be the same as the current contract or also incorporate gas servicing and other cyclical maintenance works. Additionally, there will be a requirement for much greater digital inclusion in the new contract. Further consideration of this is required.
- 13.7 This will also be influenced by the delivery route chosen by BHCC. If an outsourced model is preferred, then it is possible to include all work requirements, either in one package (with single service provider) or a small number of providers that are simultaneously put out to tender (depending on specialisms). However, if an in-sourced solution is adopted, the full scope of the service delivered by the new DLO will need to be carefully considered and reflect the capability of the new organisation. Work sitting outside this capability will need to be outsourced through a tender until such time that it is capable of being delivered by the DLO. This applies to whichever DLO model is chosen – fully in-sourced, WOS or Managed Service.
- 13.8 Clear scoping of the procurement requirement is therefore essential before the actual process can even be determined. Based on our experience, this is likely to take about 3-4 months to achieve for the planned works, although will be dependent on the extent of consultation adopted with tenants, leaseholders, elected members and officers. However, clear scoping in advance requires robust data and will place greater programming responsibility on the client team. In order to achieve this, we believe significant

enhancement of current stock condition information is needed . For the R&M works, scoping the level of service delivery is more based on consulting and agreeing with members, residents, officers as to the agreed levels of service and could potentially be achieved in 2 months.

- 13.9 While it is possible to prepare some tender documentation in parallel, full documentation including pricing model will likely take a further 2 months to develop. The current BHCC Project Plan reflects the embryonic stage that the re-procurement project is at and is hence quite generic and high level. As the procurement model is further developed and refined, the Project Plan will need to be updated to reflect the agreed approach and the fact that there may be multiple and parallel timescales.
- 13.10 For the R&M contract it is imperative that the start date is 1st April 2020. The current project plan allows for successful contractor notification in late July 2019 which provides 8 months for mobilisation and this ought to be sufficient assuming a more traditional or partnered contract is adopted. This period would even facilitate a short competitive dialogue tender process as described elsewhere in this report as a shorter mobilisation period could form part of the dialogue. We believe that there are some advantages to this procurement route compared to the restricted procedure. This outsourced model would require the new contractor to bring a fully operational IT platform that would be up and running from day one, irrespective of BHCC's IT project, with IT integration between the 2 systems taking place at a time that suits BHCC's new IT platform.
- 13.11 For the planned/capital works, we consider that the pre tender phase is therefore likely to require an additional 1-2 months with a consequential extension of the tender timetable, assuming the restricted procedure as outlined. Whilst this has a knock-on effect to the actual contractor appointment date and start of the mobilisation phase, we believe BHCC still has sufficient time to plan and implement the contract mobilisation for planned works between September 2019 and contract start in April 2020 (in our experience, 3-4 months is usually adequate). It is also accepted practice that the first years planned capital works is at a reduced volume to allow for new processes and procedures to get established and trialled.
- 13.12 However, the current project plan does not reflect the alternative procurement solutions. Whilst a managed service/WOS or JV solution could most probably be delivered in a similar timeframe, establishing an in-house DLO would require a different approach. Under this scenario, none of the labour will be available until the TUPE process has been completed and the current contract ends – day 1 of the new contract. In the meantime, BHCC would need to undertake the following headline activities:
- 13.12.1 Establish a fully operational IT platform for repairs and compliance, including call centre.
 - 13.12.2 Develop all operational processes and procedures
 - 13.12.3 Establish the contract admin regime, HR/employment etc
 - 13.12.4 Establish a performance management regime
 - 13.12.5 Procure all sub contractors and materials suppliers – OJEU compliant
 - 13.12.6 Recruit a management team assuming they do not all transfer from Mears.

- 13.12.7 Arrange transport and all accommodation – depending on current arrangements
- 13.13 BHCC has experienced a number of challenges in managing the existing contract. The initial TUPE involved transfer of most of BHCC's in house technical and professional resource to Mears. This was common practice at the time but places extreme reliance and trust on the contractor to deliver without interference by the client. Over time this trust can break and the current situation is that there is mistrust between Mears and BHCC such that BHCC has employed additional staff to check work carried out by Mears, albeit still at a relatively modest level compared to most of our other projects.
- 13.14 This means that BHCC has a limited technical and professional resource available to have an involvement in the procurement and implementation of these new contracts. The mobilisation phase of any new contract is absolutely vital to its successful operation and it is preferable to be over resourced rather than under-resourced and BHCC will need to engage additional resource to deliver this. An example partnering timetable, including typical mobilisation and ongoing contract management tasks, is included for reference at **Annex 4**.
- 13.15 Whichever Option is chosen, BHCC will need to establish a fully resourced client team to manage both revenue and capital works. The size of the team will need to reflect the final contractor combination and will also differ between the various procurement models. In the case of setting up a DLO, the staff will TUPE back to BHCC and therefore provide an instant resource, albeit not potentially the right resource to meet BHCC's new requirements. For any of the managed solutions, the additional resource will need to reflect the extent of client engagement in managing the contracts and degree of trust placed in the managing party.
- 13.16 Option 2 (outsourced model) will require BHCC setting up a full client team to project manage the contracts which will need to again reflect the final contractor combinations and work scope. However, each of these scenarios requires further detailed consideration and development of a resource plan.
- 13.17 In **Annex 5**, we have set out a summary of the Restricted Procedure and Competitive Dialogue Procedure, which we consider would be the two most suitable procedures under the Public Contracts Regulations 2015 to use in a procurement exercise.

14 **Disclaimer and contact details**

14.1 This options appraisal Report has been prepared by Trowers & Hamblins LLP and Savills (UK) Limited for Brighton and Hove City Council for the purpose of considering procurement options for the delivery of BHCC's responsive repairs services, planned maintenance and improvement programmes and large capital projects. No liability is intended or should be inferred to any third parties or for any other purpose.

14.2 For more information, please contact:

- Rebecca Rees, Partner at Trowers & Hamblins LLP (rrees@trowers.com; 020 7423 8021); and
- John Kiely, Director at Savills (UK) Limited (jkiely@savills.com; 020 7409 8737).

Trowers & Hamblins LLP/Savills (UK) Limited
19th April 2018

Annex 1

Vires considerations

1 Option 3 - Powers to establish 'NewCo'

1.1 Legislative regime

1.1.1 Section 1 of the Localism Act 2011 (the **2011 Act**) provides local authorities with the power to do anything an individual may do, subject to a number of limitations. This is referred to as the general power of competence. BHCC may exercise the "general power of competence" for its own purpose, for a commercial purpose and/or for the benefit of others.

1.1.2 In exercising this power, BHCC is still subject to its general duties (such as the fiduciary duties it owes to its rate and local tax payers) and to the public law requirements to exercise the general power of competence for a proper purpose.

1.1.3 Section 2 of the 2011 Act limits the exercise of the general power of competence where it "overlaps" with a power which pre-dates it. This includes BHCC's trading powers under Section 95 of the Local Government Act 2003 (the **2003 Act**). When BHCC relies on the general power of competence and/or the power in Section 95 of the 2003 Act to trade, it is prudent for it to comply with the requirements and limitations to which Section 95 is subject. These are set out in Regulation 2 of the Local Government (Best Value Authorities) (Power to Trade) (England) Order 2009 (the **2009 Order**) which effectively requires a business case to be prepared and approved by BHCC before a company starts trading.

1.1.4 Section 4 of the 2011 Act requires that where BHCC exercises/uses the general power of competence, then if it does so for a commercial purpose it must do this through a company.

1.1.5 It is our view therefore that BHCC can, subject to the matters referred to below rely upon the general power of competence to form a Wholly-owned Subsidiary for the purpose of it operating a business to provide the proposed planned and responsive works and repairs and maintenance services.

1.2 Powers to trade

1.2.1 As stated above, Section 95 of the 2003 Act gives BHCC the power to trade, but is subject to restrictions contained within the 2009 Order.

1.2.2 Regulation 2 of the 2009 Order states that a best value authority (such as BHCC) is authorised to do, for any commercial purpose, anything which it is authorised to do for the purpose of carrying out its ordinary functions. The 2009 Order contains two important provisions:

- (a) before exercising the power, BHCC is required to prepare a business case in support of the proposed exercise of the power which must be approved by BHCC; and
- (b) if BHCC provides the Wholly-owned Subsidiary with assistance in the way of accommodation, supplies, staff, etc., BHCC must recover these costs.

1.2.3 Reviewing both the power in the 2009 Order and the 2011 Act, we would recommend that the general power of competence under Section 1 of 2011 Act is used, establishing a Wholly-owned Subsidiary in accordance with Section 4 of the 2011 Act. Whilst the requirement for BHCC to approve a business case before establishing a trading company is specific to the 2009 Order, it would be prudent for BHCC to prepare this in advance of setting up the Subsidiary to show that BHCC has given due regard to its duties.

1.3 **Company structures**

1.3.1 Where BHCC exercises its general power for a commercial purpose then it will be required to do so via a company (or alternatively via a community or co-operative benefit society). Although the provision of repairs and maintenance to BHCC properties is arguably not a commercial purpose, if the Subsidiary's business case is (even in part or in the long run) predicated on generating revenue from third parties, such activities would be, without doubt, commercial.

1.3.2 A company could be set up as either a company limited by shares (**CLS**) or a company limited by guarantee (**CLG**). We have discounted the use of a Limited Liability Partnership (**LLP**) or (not for profit) Community Benefit Society for the Wholly-owned Subsidiary as these corporate forms respectively raise additional vires issues or are not suitable for a profit distributing entity.

1.4 **A company limited by shares**

1.4.1 A company limited by shares (**CLS**) is the type of company which most people (and the private sector) are familiar with. The corporate structure is tried and tested and is underpinned by an established body of law and practice.

1.4.2 In terms of overall control and also financial and tax planning, the structure of a limited company provides considerable flexibility through the creation of different types of share and loan capital. It is also simple to admit new shareholders if BHCC wishes in the future to make the company a joint venture vehicle (for example, to introduce another local authority to create a joint company capable of providing similar services to that second authority or to enter into a joint venture with an outsourced contractor (as per Option 4)).

1.4.3 Key features of CLSs include:

- (a) A CLS can have very wide objects (unless these are limited in the company's articles);
- (b) A CLS is usually formed for the purpose of making and distributing profits to its shareholders;

- (c) As a separate legal entity, a CLS can own and deal in assets, sue and be sued, and contract in its own right;
- (d) A CLS has limited liability. The circumstances in which shareholders could be held legally liable for a company's debts (beyond their unpaid capital contribution) are extremely limited. This means that the liability of the shareholders of the CLS would be limited and protected;
- (e) Shares can be held by BHCC, employees, the private sector, equity investors and/or service users and the holding of shares is fluid and flexible. Shareholdings can change in order to take account of a change in circumstances and/or in accordance with the parties' requirements;
- (f) The shareholders' agreement would set out the relationship between BHCC and the Company in more detail.
- (g) In a CLS, the decision-making power of an organisation rests primarily with its board of directors, but some matters may be reserved to the shareholders (BHCC if any owned);
- (h) A CLS is intended to generate a commercial profit and distribute profits, and it is the most suitable form of vehicle for this purpose;
- (i) The administration process of a CLS is primarily governed by the Companies Act 2006 and the company's articles of association. This will involve holding board and general meetings and preparation and submission of accounts. CLSs are registered at Companies House, but there is no ongoing regulation by Companies House. Tax computations and returns would need to be filed within the required deadlines in addition to any payments of tax;
- (j) A CLS is subject to tax on any profits or gains generated from its activities;
- (k) For Corporation Tax purposes, all transactions with 'connected parties' would need to be undertaken on an arm's length basis;
- (l) Mutual trading status (see the Wholly Owned Subsidiary Option below) would be difficult to achieve therefore all income and gains would likely be taxable where a CLS is used;
- (m) To the extent that the CLS has any 75% owned subsidiaries, they would form a group for group relief purposes, allowing the sharing of tax losses between companies in the same accounting period.

1.5 A company limited by guarantee

- 1.5.1 A company limited by guarantee (**CLG**) is a company where the general members do not hold shares, but instead each member undertakes to pay a nominal figure (usually £1) in the event of the company becoming insolvent. If the company is to be a wholly-owned subsidiary, BHCC would initially be the sole member; but a company limited by guarantee can have many members

and different categories of members with different voting rights. Changing from a single member company to one with many members is also straightforward.

1.5.2 This form of company is often adopted for charitable or community interest activities. In our experience it is rarely used as a vehicle for undertaking commercial activity.

1.5.3 Key features of CLGs include:

- (a) As with a CLS, a CLG may have wide objects unless its member guarantors wish to limit them in the company's constitution. For example, BHCC may wish to limit the objects to certain purposes only;
- (b) CLGs are usually not for profit organisations but they do not have to be;
- (c) In the same way as a CLS, a CLG is a separate legal entity and has limited liability. However, instead of a capital contribution each member guarantor undertakes to pay a nominal figure (usually £1 (one pound)) in the event of any insolvency on the part of the company;
- (d) a CLG is similar in structure to a CLS except that its member guarantors do not hold shares in the company;
- (e) in constitutional terms a CLG has the benefit of similar levels of flexibility as a CLS;
- (f) if a CLG is established as a "for profit" organisation then it is possible to include a provision in its constitution which will describe how profits will be distributed to its member guarantors;
- (g) It is relatively inflexible and cannot be used to attract investment or external equity funding later in its life. This may limit the funding options available for a CLG, particularly in relation to funding working capital;
- (h) In the first instance, a CLG would be subject to tax on any profits or gains generated from its activities;
- (i) The main benefit over a CLS is that Mutual Trading Status may apply which would exempt from Corporation Tax any trading profits arising from services provided to BHCC;
- (j) The benefits of Mutual Trading Status will depend on the nature and role of the Company and, therefore, its level of profitability. It can only apply in relation to profits arising from services provided to BHCC and therefore could be outweighed by the commercial and operational disadvantages of a CLG set out above;
- (k) Tax computations and returns would need to be filed within the required deadlines in addition to any payments of tax;
- (l) To the extent that the Subsidiary has any 75% owned subsidiaries, we would expect that they would form a group for group relief purposes.

1.6 **Propriety Controls**

There is an extensive legal framework governing local authority companies, currently set out in Part 5 of the Local Government and Housing Act 1989. However it should be noted that section 216(1) of the Local Government and Public Involvement in Health Act 2007 does include a provision that would repeal Part 5 – section 216(1) is not yet in force, and there currently is no date set for when or if this will happen, but BHCC should be aware that the current regime may be subject to change. Any revised regime would be implemented by Statutory Instrument and would require prior consultation by the Secretary of State.

1.7 **Conclusion on the form of corporate body**

Based on the above analysis, we believe a company limited by shares is likely to be the most appropriate vehicle for the Subsidiary Company. A company limited by shares could be established within a week, using an 'off the shelf' articles of association, with BHCC as its sole shareholder. The articles can then be tailored to reflect BHCC's requirements in due course.

2 **Option 4 – Powers to establish a joint venture**

2.1 The vires position in relation to Option 4 is more complicated. And will depend, to a large extent, on BHCC's justification for establishing a joint venture relationship.

2.2 On the face of it, it would seem most likely that BHCC would chose to go down a joint venture route if the primary motivation for the project were to establish a commercial business which would then seek to trade (as a joint venture) with third parties - for example other councils or Registered Providers.

2.3 In this case, it would seem to us that it would be probable that BHCC would again seek to rely on section 1 of the 2011 Act and, as explained above, where BHCC exercises its general power under the 2011 Act for a commercial purpose then it is required to do so through a company.

2.4 As such, the most probable corporate form for a joint venture would be a joint venture company limited by shares.

2.5 However, we are aware that a number of providers in the market for repairs and maintenance services are keen to establish joint venture limited liability partnerships and, were this to be an Option which BHCC and potential contractors wish to pursue, a detailed consideration of BHCC's vires position would need to be considered.

2.6 Broadly, the Options would be to participate in an LLP structure via an intervening Wholly-owned Subsidiary of BHCC (so that BHCC's participation on the LLP was through its own company); in which case the difficulty presented by the restrictions on BHCC's use of the general power of competence under the 2011 Act fall away.

2.7 Alternatively, (and this depends heavily on BHCC's motivations for participating in the joint venture) it may be possible to arrive at a position where BHCC could participate directly in the LLP (with the obvious tax advantages that this brings) but this would require careful consideration; that said the judgement in the recent *Haringey* case sanctioned the direct involvement of Haringey in its JV with Lendlease as an LLP on the basis that Haringey's

purpose in entering into the LLP was *not* commercial. It had carefully articulated in various reports leading to the establishment of the JV, the socio-economic and other non-commercial public benefits the JV was established to achieve. As Haringey's participation was not for a commercial purpose it was permissible for it to be a direct participant in the LLP using the general power of competence under the 2011 Act.

Annex 2

Pensions considerations

1 Option 1: Direct delivery of services

As employees of a Direct Delivery of services, those staff will be entitled to remain as members of the Local Government Pension Scheme (**LGPS**). The advantages of a Direct Delivery of services are consistent with those applicable to a Wholly-Owned Subsidiary or Managed Service Model (Option 3). The main disadvantage associated with the creation of a Direct Delivery of services is the potential additional cost for BHCC, in that, unlike other models of service delivery, new joiners are also required to be provided with LGPS membership. A further disadvantage of this model, which is also the same as for a Wholly-Owned Subsidiary is that an exit payment could arise in the (albeit highly unlikely) event that the last active LGPS member ceases membership of the LGPS.

2 Option 2: Outsourcing

2.1 Statutory requirements

BHCC is obliged to follow the Best Value Authorities Staff Transfers (Pensions Direction) 2007 (the **Direction**). Broadly, this requires that staff that were originally local authority staff and are transferred under a contract for services to a service provider retain rights to membership of an arrangement that is the same as or broadly comparable to their pension prior to their TUPE transfer. The obligation would be satisfied by staff remaining as LGPS members.

2.2 Outsourcing

Generally, the position is that where a council is the commissioning body and enters into a contract for services with a provider to perform those services, as envisaged under Option 2, the staff transferring to the contractor should be afforded pension protection under the Direction. The terms of the Direction only 'bite' and oblige a 'Best Value Authority' to ensure that protection is enshrined within the contract terms. This protection extends to require BHCC to oblige the contractor to secure pension provision that is the same as or 'broadly comparable' to the pension provision provided by the incumbent contractors in circumstances where the contractor undertakes the services and staff transfer from the incumbent contractors. We have assumed, for the purpose of this report that the incumbent contractors are admitted to the LGPS.

2.3 Contractor risk-sharing policy

2.3.1 Where BHCC and the contractor comply with the requirements of the Direction and the contractor seeks admission to the LGPS, BHCC will need to prepare a commercial stance on where pensions risk should sit between the parties.

2.3.2 It is likely that the contractor will want to enter into a form of risk sharing arrangement to manage employer contribution rate volatility under the LGPS.

- 2.3.3 BHCC will need to be aware of the relevant considerations attributable to a risk sharing approach. Broadly, this is where the contractor will request that BHCC allocates and retains responsibility for certain risk factors considered to be within BHCC's control. This can have a direct impact upon pricing and affordability for contract provision.
- 2.3.4 There are a number of relevant considerations that would need to be addressed. These would include:
- (a) Apportioning responsibility for any historic LGPS underfunding in relation to transferring staff;
 - (b) Risk sharing of LGPS employer contribution rate variance throughout the term of a contract. This can for example take the form of a 'capped' rate for the contractor or a 'pass through' of increases to the employer contribution rate so that the 'net effect' is for the contractor to pay a consistent employer contribution percentage;
 - (c) How matters such as ill-health dismissal and redundancy risk should be treated;
 - (d) Considering the requirement for a pension bond or guarantee from the contractor.
 - (e) Determining how any funding 'shortfall' under the LGPS should be dealt with and by which party when the contractor's admission agreement comes to an end;
- 2.3.5 In all of the above matters, it is generally our experience that contractors will initially adopt a risk-averse approach to assuming these responsibilities and liabilities. It is usually the case that detailed negotiation will be required to assert that matters falling within the 'control' of the contractor should be retained by it as part of any risk sharing approach.
- 2.3.6 The terms of the Direction place the obligation upon BHCC to ensure that pension protection is included within the terms of the contract for services. In circumstances where BHCC takes a decision not to apply the terms of the Direction, there would be a considerable risk that transferring staff (or where represented, their trade union) would seek to review the basis of that decision. Whilst dis-applying the operation of the Direction would allow BHCC to relax the pension provision provided to staff by the contractor (with the associated cost reduction which could flow from that decision), in our experience local authorities have acknowledged the perceived and real risk of adopting that approach and have complied with the terms of the Direction.

3 **Option 3: Wholly-Owned Subsidiary/Managed Service models**

- 3.1 Any Wholly-Owned Subsidiary entering into a contract for the provision of services (which could include a management contract arrangement) with BHCC would, applying the Direction, need to provide an arrangement broadly comparable to that provided by the incumbent contractors. As noted in the preceding paragraph, it is open to BHCC to not

incorporate the terms of the Direction into any contract arrangement, but there are potential and material risks in not doing so.

3.2 It is likely that an organisation structured as a Wholly-Owned Subsidiary of BHCC could participate in the LGPS as a Designated Body. The qualifying criteria are set out in Part 2 of Schedule 2 of the Local Government Pension Scheme Regulations 2013 (the 2013 Regulations). Broadly, a company that is 'connected with' a body such as a local authority will be a Designated Body. We have set out the 'connected with' test in greater detail below.

3.3 We have explained below in greater detail how the "connected with" test under Part 2 of Schedule 2 of the 2013 Regulations can be met:

3.3.1 An entity is "connected with" a local authority if:

- (a) it is an entity other than the local authority; and
- (b) according to the proper practices in force at that time, financial information about the entity is included in the local authority's statement of accounts.

3.4 On the assumption that the statement of accounts for BHCC confirms that the "connected with" test is satisfied, the Wholly-Owned Subsidiary will be capable of securing Designated Body status.

3.5 **Wholly-Owned Subsidiary and LGPS participation**

3.5.1 The advantages of the Wholly-Owned Subsidiary being admitted to the LGPS as a Designated Body is that the process is straightforward – it does not require an admission agreement to be entered into and there is no requirement to assess the risk for a pension bond. It also provides security for employees to remain members of the LGPS.

3.5.2 However, when the Wholly-Owned Subsidiary ceases to be a Designated Body for the purposes of the 2013 Regulations, either because it no longer meets the criteria set out above or because it ceases to employ active members of the LGPS, a calculation of the Wholly-Owned Subsidiary's "exit liability" under the LGPS would still need to be carried out in accordance with the LGPS legislation. Where the assets in the fund attributable to the Wholly-Owned Subsidiary are insufficient to meet its liabilities, then it would be obliged to make a payment to the LGPS fund equal to any pension deficit calculated.

3.5.3 An advantage of Designated Body Status arising from the exit liability is that the LGPS funding strategy statement on the calculation of that liability may not be as onerous compared to other admission bodies. This can mean that any liability amount is valued by the actuary to produce a smaller exit amount. By the same token, if any exit liability is ultimately subsumed as part of any funding obligations between BHCC and the Wholly-Owned Subsidiary, then the less conservative actuarial valuation basis would be a beneficial cost consideration for BHCC.

3.5.4 Unlike an admission body, the 2013 Regulations do not require a Designated Body to enter into a pension bond or guarantee. To that degree, the extrinsic documentation and actuarial costings required to facilitate LGPS membership are less onerous.

4 Option 4: Joint Venture Option

4.1 Similar considerations to those set out in the preceding paragraphs for the contractor arise for BHCC where it opts for a Joint Venture partner. Any Joint Venture entity entering into a contract for services with BHCC would, applying the Direction, need to provide an arrangement broadly comparable to that provided by the incumbent contractors.

4.2 In addition, it is likely that the private sector partner to the Joint Venture will wish to introduce 'risk sharing' mechanisms into any contract for services it enters into with BHCC. The relative 'pros and cons' of the risk sharing approach is the same for a Joint Venture Option as it would be for a service provider, with one possible exception.

4.3 Where a pension bond is being considered, BHCC may look more favourably on dispensing with the need for a pension bond. The current 2013 Regulations also provide that an alternative form of security (such as a guarantee or indemnity) can be entered into in place of a pension bond in certain circumstances. The alternative guarantee can be from a person who funds the admission body in whole or in part or who owns or controls the exercise of the functions of the admission body. Depending on how the Joint Venture Option is established and structured, BHCC may be able to act as guarantor so as to alleviate the need for a pension bond. This in turn would help drive a value for money approach as the cost of securing pension bond premiums could be removed from any service provision cost.

4.4 That said, BHCC would need to act very carefully to avoid 'state-aid' issues, particularly where the JV company was bidding against other contracting service providers.

4.5 BHCC would also need to keep in mind the variant LGPS 'exit liability' positions negotiated with its incumbent contracting providers for current services such as street lighting. BHCC would need to consider its commercial strategy in light of any exit liability it has assumed under previous contracts and consider how it wishes to address any historic underfunding.

5 Incumbent Contractor's position

5.1 One issue which is a relevant consideration to all Options is the pensions risk that materialises when staff transfer from the incumbent contractor. On the basis that those staff are members of the LGPS, we would recommend that the current contract for services is reviewed to determine whether a risk-sharing model operates to allocate risk when an admission agreement comes to an end.

5.2 When a contract for services comes to an end or there are no remaining active LGPS members in the contractor's employment, an admission agreement comes to an end. At that point the administering authority instructs the Fund actuary to calculate what is known as a 'termination valuation'. Broadly, if the LGPS fund is underfunded, a capital payment will normally be requested from the provider to the Fund. The 2013 Regulations now afford some flexibility as to how these exit payments are recovered. Staged payments for example are now possible. It may be that BHCC has already entered into a contractual

mechanism with the provider to deal with such termination liabilities so that it remains liable to reimburse the contractor for any exit payment falling due.

Annex 3

Comparison of standard forms of Term Contract

1 Introduction

The form of contract to be selected by BHCC will clearly depend on the Option selected for the procurement of repairs and maintenance programme following consideration of the issues raised in this Report and BHCC's own decision-making process.

2 Published forms of contract

We set out below the key features of the following published forms of contract commonly used by local authorities for repairs and maintenance programmes. In our experience, bidders are likely to welcome the use of a standard form contract with which they will be familiar, though it is possible to adopt an entirely bespoke form of contract to suit the specific needs of the procurement. Even where standard forms of contract are used, it is likely that BHCC will need to prepare a set of amendments to address any matters not adequately covered by the published provisions or to establish a more advantageous commercial position. Any amendments should be undertaken with care to ensure that there are no inconsistencies between the contract terms and the specification and technical documents, which may undermine the objective of the procurement or create inconsistencies that bidders may exploit.

The standard form Term Contracts that we have compared are:

2.1 JCT Measured Term Contract 2016 ("JCT")

The JCT is part of the JCT 2016 suite of contracts published by the Joint Contracts Tribunal. The JCT suite comprises a complementary set of main contracts and sub-contracts, and includes a separate Pre-Construction Services Agreement to provide for pre-commencement activity. There is a form of Consultancy Agreement for public sector employers. The JCT Measured Term Contract is the form that is most suitable to instruct responsive repairs and maintenance programmes.

2.2 The New Engineering Contract 4th Edition ("NEC")

The NEC 4th Edition contracts, which include the NEC4 Term Service Contract, are well-established and used by a significant number of local authorities for the procurement of responsive repairs and maintenance programmes. The NEC4 suite comprises a complementary set of main contracts, sub-contracts and professional services appointments.

2.3 The ACA Standard Form of Term Alliance Contract ("TAC")

The TAC-1 was published in 2017, part of a suite of contracts published by the Association of Consultant Architects and based on a partnered approach to construction. TAC-1 replaces and updates the TPC2005 Term Partnering Contract, which was first published in 2005 and is currently used by BHCC for its contract with Mears for the delivery of responsive and planned works. TAC-1 comprises a multi-party form of contract which allows consultants and key sub-contractors to be integrated into the team as parties to the same contract where appropriate. It also provides for the parties to operate a strategic

alliance to identify and develop collaborative activities to share best practice and improve the efficiency of programme delivery.

2.4 **The National Housing Federation Schedule of Rates Contract Revision 4 (2016) ("NHF")**

The NHF Schedule of Rates are widely used in the construction industry to provide a comprehensive schedule of works activities that tenderers can price as part of a construction contract, with variations for responsive repairs and maintenance and planned works programmes. The NHF Contract was first produced by the National Housing Maintenance Forum in 2011 to support the use of the NHF Schedule of Rates and was most recently updated in 2016. The NHF Contract includes a template Invitation to Tender document. The contract documents themselves comprise Articles of Agreement, Contract Conditions, Preliminaries, a Specification, Price Framework and a KPI Framework, in addition to the Schedule of Rates.

3 **Criteria for selecting a form of Term Contract**

3.1 **General comments**

It is important to note that the appropriateness of a standard form of contract will depend on the procurement Option selected and BHCC's strategic procurement objectives. It is clearly important that BHCC should select and adopt a form of contract that is most appropriate to its needs and can be effectively integrated to establish continuity and stability in procurement/contracting practices, so as to obtain the maximum benefits in terms of efficiency, economy and streamlined programme implementation.

3.2 **Efficiency criteria**

Any procurement arrangement designed to lead to increased efficiency should incorporate as core features:

- i Timely engagement of all key players in the works and services programme, particularly in the pre-commencement phase,
- ii Mutual clarity between all parties regarding allocation of roles, responsibilities, risks and rewards,
- iii A collaborative approach to developing and managing the programme,
- iv Open and effective communication between the parties, and
- v Strategies for continuous improvement.

The form of contract used should support these objectives and also provide for BHCC's preferences relating to practical issues of procurement and contract administration, including:

- i The contractor's input into (but not necessarily control of) all key processes;
- ii Flexible pricing arrangements that allow BHCC maximum certainty and clarity as to prices paid;

- iii Volume supply arrangements with the supply-chain;
- iv Financial sanction;
- v Depot facilities and leasing arrangements;
- vi Dispute resolution;
- vii Storage facilities;
- viii Developing efficient processes for resident liaison;
- ix Employment issues including TUPE;
- x Pensions issues including LGPS;
- xi Development of proposals to deal with Health & Safety;
- xii Analysing and managing risk including procuring appropriate insurance;
- xiii Programming and phasing of the works or services to be undertaken;
- xiv Change management;
- xv Ability to terminate the contract for sustained poor performance; and
- xvi Ability to instruct third parties to undertake uncompleted works.

3.3 **Comparison of standard forms of contract**

In this section, we have indicated why we consider each issue is an important criterion in selecting an appropriate form of contract, and how each of the evaluated standard forms deals with the issue. Specific points that may assist in forming a view on the most suitable contract form for their purposes are listed in the Table below, where each of the 4 standard forms of contract are assessed against each criterion.

The assessment in the table is indicative only, and reference should also be made to the explanatory notes that follow.

Table – Summary of criteria for assessing standard forms of contract

		JCT	NEC	TAC	NHF
1	Contractual pre-commencement/mobilisation process	[✓]	[✓]	✓	[✓]
2	Clear definition of roles of delivery team	[✓]	[✓]	✓	[✓]
3	Involvement of residents and other key stakeholders	X	X	✓	[✓]
4	Options for allocating design responsibility	X	✓	✓	X
5	Integration of supply-chain	[✓]	✓	✓	[✓]
6	Collaborative management of risk	X	✓	✓	X
7	Performance measured against KPIs	[✓]	✓	✓	✓
8	Management group of key players	X	✓	✓	✓
9	Incentive Options	[✓]	✓	✓	[✓]
10	Option for 'open book' pricing	[✓]	[✓]	[✓]	X
11	Option for fixed price	✓	✓	✓	[✓]
12	Contractual programme for the works/services orders	X	✓	✓	X
13	Prior evaluation of change	X	✓	✓	✓
14	Early warning of problems	✓	✓	✓	✓
15	Exclusion of profit from contractor's claims for delay/disruption	X	X	✓	X
16	Remedies in respect of breach of contract	✓	✓	✓	✓
17	Ability to terminate the contract with notice	✓	✓	[✓]	[✓]
18	Ability to instruct third parties to undertake uncompleted works	✓	[✓]	✓	✓
19	Alternative Dispute Resolution	✓	✓	✓	✓
20	Forms of sub-contract, collateral warranties and guarantees	✓	✓	[✓]	X

Key

✓	Specifically provides for this point in the main form of Term Contract
[✓]	Provides for this point in part measure or through use of other compatible forms
X	Does not provide for this point

3.3.1

4 **Detailed commentary**

4.1 **Pre-commencement/Mobilisation process**

Contractual provisions covering the mobilisation process are a convenient and effective means of handling any transitional provisions. The client has the advantage of having the contractor committed to the contract and can ensure that any preparatory activities or processes required before the start of the programme can be completed before commencement. In turn, the contractor has the benefit of being "in contract" and not working "at risk" while they undertake the pre-commencement activities. For maintenance or services programmes a pre-commencement phase is particularly important to ensure adequate coverage of TUPE obligations and the appointment of sub-contractors both of which should be completed before commencement.

Provision of a pre-commencement phase allows the client to activate the performance and payment obligations when the pre-commencement activities are complete. In this way, the contract can be used as a management or process tool, to ensure that all parties fulfil their obligations and to avoid delays or problems when the programme commences.

JCT	The JCT Pre-Construction Agreement can be signed as a separate document to cover the pre-commencement/mobilisation period. The Pre-Construction Agreement does not deal with transitional arrangements from mobilisation to commencement phases and would need extensive amendment and integration with the main form of contract used.
NEC	The NEC4 Engineering and Construction Contract (ECC) now includes as a secondary Option the clauses for early contractor involvement (ECI) previously published by NEC in 2015. ECI is a method of appointing a Contractor at an early stage, to participate in the development of designs and proposals. It enables the Contractor's input to the design at a stage when significant improvements and innovation can be introduced.
TAC	Provides for preconditions to implementation of Term Programme, also provides Options as regards treatment of TUPE and pensions and as regards treatment of client assets to assist in transitional provisions.
NHF	Provides for the parties to form a contract by exchanging a Letter of Acceptance, ahead of executing the formal contract documents.

4.2 Clear definition of roles of delivery team

For a maintenance or services delivery team to be set up on a fully integrated basis and to function effectively, it is essential that the roles and responsibilities of each team member are clearly and compatibly defined and mutually recognised. To the extent that all appointments are not made from a fully integrated set of terms and conditions, mutual clarity is achieved only by each party having knowledge of all other parties' contracts and agreeing an integrated set of programmes and responsibilities.

JCT	Two party contract which specifies the roles of the client and the main contractor. Separate agreements required for the appointment of suppliers or sub-contractors.
NEC	Two party contract which specifies the roles of the client and the main contractor. Separate appointment required for Service Manager and sub-contractors. However, NEC4 now provides for separate collateral warranties to be secured in favour of 3 rd parties and from the supply-chain in favour of the Client (NEC3 would need Z-Clause).
TAC	Multi-party contract which specifies the role and responsibilities of client, service provider and key sub-contractors with mutual duties of care between team members.
NHF	Two party contract which specifies the roles of the client and the main contractor. Separate appointment required for Client's Representative and Service Provider's Contract Manager and sub-contractors.

4.3 Involvement of residents and other key stakeholders

Effective capture and use of contributions from residents and other stakeholders who are not party to the contract will be an important element of a successful programme. Acknowledging this within a Term Contract lends form and discipline to the process.

JCT	Does not refer to other stakeholders.
NEC	Does not refer to other stakeholders.
TAC	Requires members of the delivery team to establish involvement of Interested Parties (a defined term).
NHF	Refers to postholders listed in the Contract Details who can be members of the Core Group.

4.4 Options for allocating design responsibility

In modern construction practice, responsibility for design and the related risk is frequently assumed by the main contractor and increasingly by suppliers and specialist sub-contractors. It is important that BHCC have the opportunity to allocate any design responsibility, particularly in relation to the selection of surfacing materials and processes for any given task.

JCT	Does not provide for contractor's design.
NEC	Provides for main contractor design and design of its items of equipment.
TAC	Provides flexibility in the allocation of design responsibility
NHF	Does not provide for contractor's design.

4.5 Integration of the supply-chain

It is widely recognised that to achieve best value in delivery of a programme, it is essential that all influential members of the supply-chain, in particular key suppliers and specialist contractors, are effectively integrated into the procurement process. This requires recognition of their potential roles, particularly in relation to any design work and the key processes, and usually implies their early appointment.

In addition, for effective integration, all key members of the supply-chain should be recognised as equal partners in the programme, be included in decision-making processes, and be involved in finalising price.

JCT	No specific provisions for supply-chain partnering. Client able to consent to any sub-contractors.
NEC	Includes compatible forms of subcontract; suppliers and subcontractors can be named as partners in Option X12 and become members of the Core Group. Provides for notification of the Core Group prior to sub-contracting. However, decisions of the Core Group are not required to be implemented under the contract.
TAC	Includes specific provisions for supply-chain partnering and for client approval of subcontractors and suppliers.
NHF	No specific provisions for supply-chain partnering. Client able to suggest and consent to appointments of any sub-contractors.

4.6 Collaborative risk management

The systematic identification, assessment, allocation and mitigation of risk is essential for successful programme delivery, and is most effective if all parties are involved in and committed to the process.

JCT	Does not provide for main or sub-contractor or supplier involvement in risk management.
NEC	X12 Partnering Option may assist in collaborative risk management. Provides for development and maintenance of a risk register with risk reduction meetings for cooperative response to risks.
TAC	Provides for joint risk management activities as described in a Risk Register.
NHF	Does not provide for main or sub-contractor or supplier involvement in risk management.

4.7 Performance measured against KPIs

Measuring performance is fundamental to improving performance; this applies within a programme but is particularly important for long term maintenance programmes where clients are focusing on continuous improvement. Formalising this requirement within the Term Contract commits members of the delivery team to the process.

JCT	General reference to measuring performance against agreed KPIs.
NEC4	Provides for measuring performance against agreed KPIs.
TAC5	Provides for measuring performance against agreed KPIs.
NHF	Provides for measuring performance against agreed KPIs.

4.8 Management group of key players

A management group comprising the key individuals in the delivery team can play a valuable role in a number of areas, as follows:

- (a) An information hub at the centre of a communications strategy,
- (b) Monitoring and taking forward progress in the pre-commencement/mobilisation phase,
- (c) Evaluating proposed changes notified in advance,
- (d) Receiving warnings of potential problems and overseeing the response.

Such a group can function most effectively in relation to the due processes of the contract if it is specifically provided for in the Term Contract. The group's roles and responsibilities must be clearly defined, in particular its scope and authority to take decisions for implementation by the parties.

JCT	Does not provide for a management group.
NEC4	The NEC4 contracts introduce a requirement for the Contractor to prepare and issue a quality management system and plan.
TAC	Provides for a Core Group able to take decisions within the scope of its

	agreed functions as set out in the contract.
NHF	Provides for a Core Group to manage the contract and the delivery of the works.

4.9 Incentive Options

Financial incentives are widely recognised as effective in securing commitment to improving performance and achieving best value in programme delivery. For clarity and effective operation they should be built into the contract.

JCT	Provides for contractor to receive some of the financial benefit of any cost saving or value improvement it proposes which is implemented.
NEC	Includes provisions for bonuses on early completion and payments relating to KPIs.
TAC	Provides for incentives to be agreed.
NHF	No express contractual provision for incentives to be agreed. Separate KPI Framework in NHF suite has provision to agree incentives.

4.10 Option for 'open book' pricing

Genuinely collaborative working implies openness and trust and this should extend through to the financial management of the Term Contract. Accordingly 'open book' pricing, where the contractor declares its profits and overheads and allows the Client access to its financial records to monitor how prices for the services are developed is widely advocated. For successful application, its meaning, scope and operation should be clearly defined in the Term Contract.

JCT	Does not provide for open book pricing.
NEC4	Does not expressly refer to open book pricing but separate identification of profit and overheads is implied in the target cost and cost-reimbursable Options.
TAC	Provides for Open-book pricing with separate identification of profit and overheads but can be used with a variety of pricing Options.
NEC	Does not provide for open book pricing.

4.11 Option for fixed prices

BHCC may prefer the discipline and risk allocation delivered by fixed prices from the contractor prior to starting work on site. In many circumstances, seeking fixed prices from the contractor at tender stage will be difficult to reconcile with the principles of collaborative working, including early appointment of the contractor. However, this may be an Option BHCC wish to have available.

Each of the four contract suites compared in this note provides this Option through:

JCT	Reference to a Schedule of Rates.
NEC	Provides for priced contract with Activity Schedule (Option A) and priced contract with bill of quantities (Option B)

TAC	Task Prices calculated in accordance with Price Framework.
NHF	Reference to a Schedule of Rates.

4.12 Contractual programme for the works/services orders

A contractually binding programme for issuing and completing of orders or tasks under a Term Contract clarifies and confirms each party's commitment to timely delivery. If used effectively, a contractually binding programme can function as a programme management tool, and provides clear definitions of each party's obligations. The offer of a clear long-term programme by BHCC should secure greater efficiency from the programme.

JCT	Does not provide for a contractually binding programme.
NEC	Provides for an 'Accepted Programme' and new provisions which provide 'treated acceptance' of the Contractor's programme where the Project Manager does not respond to a programme issued by the Contractor for acceptance, or to a reminder. This is to unlock the impasse which otherwise prevails.
TAC	Provides for the Partnering Timetable as a contractually binding programme, including provisions for the timetable to be updated as required.
NHF	Does not provide for a contractually binding programme.

4.13 Prior evaluation of change

Effective change management requires that whenever possible proposed changes are notified in advance to allow evaluation of the full time, cost and quality implications and consideration of appropriate responses.

JCT	No provision for advance evaluation of change.
NEC	Provides for advance notice of change in the context of Compensation Events (a defined term).
TAC	Provides for advance evaluation of change.
NHF	Provides for advance evaluation of change.

4.14 Early warning of problems

Early recognition of an emerging problem considerably improves the opportunities for the parties to manage the issue before delays are caused to the programme. Inclusion in the contract of a clear duty on the parties to warn of a potential problem will reinforce their commitment to do so.

JCT	Includes a basic early warning system.
NEC4	Includes an early warning system.
TAC	Includes an early warning system.
NHF	Includes an early warning system.

4.15 **Exclusion of profit from contractor's claims for delay/disruption**

BHCC might take the view that in the context of a long-term collaborative relationship it is equitable for the contractor to recover costs in a claim for delay and disruption but not additional profit and overheads. If so, this should be explicit in the contract.

JCT	Does not exclude profit and overheads from delay/disruption claims.
NEC	Does not exclude profit and overheads from delay/disruption claims.
TAC	Excludes profit and overheads from delay/disruption claims.
NHF	Does not exclude profit and overheads from delay/disruption claims.

4.16 **Remedies in respect of breach of contract**

The Term Contract must include effective remedies for default or insolvency of a member of the delivery team. As far as possible these should protect any continuing interests of the client.

JCT	Provides for termination by the client or main contractor in a specified list of circumstances.
NEC	Provides for termination by the client or main contractor in a specified list of circumstances.
TAC	Provides for termination by the client or main contractor or other parties in a specified list of circumstances.
NHF	Provides for termination by the client or main contractor in a specified list of circumstances.

4.17 **Ability to terminate the contract with notice**

Many local authorities require the ability to terminate the contractor's appointment under the Term Contract following a specified period of notice. This has become increasingly important in the current economic climate, to allow clients flexibility to appoint alternative contractors and ensure that there is delay in the provision of key services.

JCT	Provides for either party to terminate the contract with 13 weeks' notice.
NEC	Option X11 provides for the Client to terminate the Service by providing notice to the Service Manager and the Contractor.
TAC	Option for the parties to agree to terminate the contract within a specified notice period.
NHF	Option for the parties to agree to terminate the contract within a specified notice period.

4.18 **Ability to instruct third parties to undertake uncompleted works**

In the event of sustained poor performance in a responsive maintenance programme and/or the termination of a contractor's appointment, clients should have the ability to instruct third parties to undertake any outstanding or uncompleted works. In the event of the contract being terminated due to the contractor's poor performance or breach, the

Term Contract should ideally have the ability recover the costs of appointing third parties from the original contractor.

JCT	Client has the ability to instruct third parties to undertake uncompleted or outstanding works following the Contractor's failure to undertake the works and/or the termination of the Contractor's appointment.
NEC	Option X11 provides that on termination the Client may complete the service itself and use any plant or materials that were provided by the Contractor.
TAC	Client has the ability to instruct third parties to undertake uncompleted or outstanding works following any Alliance Members' failure to undertake the works.
NHF	Client has the ability to instruct third parties to undertake uncompleted or outstanding work following the Service Provider's failure to undertake the works.

4.19 **Alternative Dispute Resolution**

Any party to any Term Contract has a statutory right to adjudication and thereafter to initiate litigation. However, it is likely to be in all parties' interests to agree contractual alternatives that remain within their control in terms of timing, cost and outcome, and that are less likely to undermine long-term working relationships.

JCT	Provides for alternative dispute resolution through nominated individuals and through mediation.
NEC	NEC4 has introduced a four week period for escalation and negotiation of a dispute, which takes place prior to any formal proceedings are commenced. This requires nominated senior representatives of each party to meet and try to reach a negotiated solution. It is a mandatory requirement where dispute resolution Option W1 applies, but is consensual where dispute resolution W2 applies.
TAC	Provides for alternative dispute resolution through a problem solving hierarchy, reference to the Core Group, conciliation, mediation and reference to a Partnering Adviser.
NHF	Provides for alternative dispute resolution through a Dispute Escalation Table, reference to Adjudication, Mediation, Expert Decision and Arbitration.

4.20 **Forms of sub-contract, collateral warranties and guarantees**

Any Term Contract should have corresponding forms of sub-contract so that any supply-chain members are appointed on compatible terms and conditions to the main contract, and so that relevant contractual obligations are passed down to the supply-chain as required. The Term Contracts should ideally have compatible forms of collateral warranty and parent company guarantee.

JCT	Provides compatible forms of sub-contracts. No provisions for collateral warranties or parent company guarantees.
NEC	Provides compatible forms of sub-contracts. No provisions for collateral warranties or parent company guarantees.

TAC	There is no form of sub-contract written expressly for TAC-1, but the STC2005 Specialist Term Contract 2005 (written for the TPC2005) can be used with some amendments. No provisions for collateral warranties or parent company guarantees.
NHF	No compatible forms of sub-contracts, collateral warranties or parent company guarantees.

4.21 **Issues not dealt with in Term Contracts**

It is uncommon for liquidated damages and retention to be included within a Term Contract and these are not found in the standard forms analysed above. BHCC should consider whether the security these provisions offer are relevant to the programme and amend the chosen standard form as appropriate although this might attract "risk pricing" by the contractor.

A copyright licence is not included in the standard forms and this should be considered for a programme with extensive design responsibility.

4.22 **Conclusion**

The selection of the form of Term Contract will set the tone for the procurement and approach the contractor will take to the ensuing relationship. Clearly, all the standard form Term Contracts discussed above can be amended to alter their existing features and overlay additional features required by BHCC.

As noted above at Section 9.8 of the Main Report, the key determining of successful implementation will be the management of the contract (and related amendments) that BHCC adopts. The selected Term Contract can provide all relevant protections and levers of contract BHCC requires, but these will not protect BHCC or provide it with any control if the contract terms are not understood or enforced by BHCC's contract managers. Given this, training in and knowledge of the selected form of Term Contract will be essential for BHCC contract managers and affected staff as part of any procurement exercise.

Annex 4

Example Partnering Timetable

Item	Description of Activity / Requirement	Period / Deadline for Activity	Additional Comments
1	Attend pre-contract meeting	Week 1	Review draft Partnering Timetable, draft KPIs, draft Risk Register, Core Group membership and Contract Start date
2	Issue revised Partnering Timetable	Week 2-4	
3	Issue revised Risk Register	Week 2-4	
4	Issue revised KPIs	Week 2-4	
5	Prepare and engross Framework Agreement and Partnering Contract for issue to all Parties	Week 4-6	
6	Production of agreed contract documents and sign	Week 7	
7	Confirm site addresses and scoping survey information and issue to Service Provider(s)	Week 4-7	Final Scoping Surveys and Property List for the Year 1 internal works programme issued.
8	Prepare draft cash flow based on first year's internals	Week 4-7	Based on agreed programme and phasing
9	Attend Resident Focus Group	Week 4-7	Introduction to the Client Resident Focus Group. Explain approach to works, what to expect and component choices. Reps will form a sub-group to sign off communication protocols and choice sheets.
10	Attend Employment & Skills project initiation meeting	Week 4-7	
11	Agree key components	Week 4-7	To agree material suppliers and confirm key components, etc
12	Hold Commercial Management workshop	Week 4-7	Agree valuations, handover and payment processes, etc

Item	Description of Activity / Requirement	Period / Deadline for Activity	Additional Comments
13	Project Delivery session	Week 4-7	Agree the management processes necessary to deliver the project. To include procedures for asbestos removal, data management, etc.
14	Surveys, investigations and resident profiling	Week 5-9	Service Provider carries out site surveys to confirm design & manufacturing details and consult residents.
15	Issue Task Order, Task Brief and confirmed address list to Service Provider	Week 10	Issued following receipt of the engrossed Partnering Contracts
16	Service Provider issues Construction Phase Plan, Task Proposals, Task Timetable and Task Price	Week 10-12	Deadlines for return of documents agreed as 2 weeks from receipt of the Task Order and will be confirmed in the Order
17	Construction Phase Plan agreed by Principal Designer	Week 13-14	
18	Consideration and agreement of Task Proposals and Task Timetable	Week 13-14	
19	Review and agree Task Price for Year 1	Week 13-14	
20	Place orders and organisation of labour, plant & specialists	Week 15-18	
21	Start on site	Week 19	Start dates subject to satisfactory completion of those pre-conditions
22	Risk Management Actions	Ongoing	
23	Volume Supply Agreements and Value Engineering	Value Engineering will continue throughout the life of the project. Particular innovations for efficiencies to be discussed at the Core Group so benefits can be shared	
24	Business Case Submissions	As required	As required for Specialists or any increases sought to the Task Price

Item	Description of Activity / Requirement	Period / Deadline for Activity	Additional Comments
25	Specialist Tenders	As required	As may be required for any specialist supply and fit works, eg. Major aids & adaptations, damp proofing, floor timber replacements, etc
26	Core Group Meetings	First meeting: Week 23	Thereafter meetings monthly as agreed by the Core Group
27	Partnering Meetings	First Meeting: Week 22	Thereafter meetings monthly (Site meetings to be scheduled in advance of the Core Group)

Annex 5

Procurement obligations and OJEU procedures

1 Procurement obligations

1.1 As a local authority, BHCC is regarded as a "contracting authority" for the purposes of the Public Contracts Regulations 2015 (the **Regulations**). Day-to-day asset management, planned works and voids contracts are generally accepted to be public works contracts. The current EU threshold for works contracts, above which value contracts must be publicly advertised is £4,551,413 excluding VAT and contracts of equal or greater value are required to be procured in line with the full procedure(s) set out in the Regulations (the relevant threshold for supplies and services is £181,302 excluding VAT). A procurement procedure which complies with the Regulations requires that the contract is advertised in the Official Journal of the European Union and that tenders are assessed and contracts awarded in line with the timescales and criteria set out in the Regulations. Also, case-law suggests that contracts below the threshold value must still be advertised although not necessarily in the Official Journal and therefore a directly negotiated contract with a single supplier is not allowed.

1.2 Contracts of employment fall outside of the EU procurement regime and are not classed as "public services contracts" for the purposes of the Regulations. However, a "management contract" entered into with a contractor for the management of employees would be classed as a public services contract for the purposes of the Regulations and would therefore have to be advertised in the Official Journal of the European Union in the (likely) event it exceeded the threshold. Any such services should be part of the tendered contracts.

2 Pre-market engagement

We would recommend that, before launching the procurement procedure, BHCC undertakes a sufficient amount of soft-market testing and contractor engagement, in order to gauge the state of the market in relation to the Options presented above and to consider how best the market will be able to meet its needs. The results of this pre-procurement engagement can then feed directly into the procurement requirements – as long as BHCC does not use such information in a way that could discriminate against or in favour of any particular bidder or class of bidder.

3 The Restricted Procedure

3.1 Background to Restricted Procedure

3.1.1 The Restricted Procedure is the most commonly used procurement procedure in the UK. Unlike the Open Procedure which requires contracting authorities to assess all bids received, the Restricted Procedure provides a two-stage process whereby bidders are initially assessed on their past experience, good standing, financial robustness and technical qualifications, from which a shortlist of bidders is selected to submit a tender. If run efficiently and with adequate preparation time, the Restricted Procedure can be completed within 3-4

months. BHCC is also able to shorten tender return timescales with the agreement of the bidders.

- 3.1.2 The Restricted Procedure is widely understood by the market. The initial pre-qualification stage has been somewhat standardised by the use of a standard Selection Questionnaire document issued by the Crown Commercial Service for use in all procurement exercises in England and Wales, which many bidders in the marketplace will be familiar with.

3.2 Use of the Restricted Procedure

- 3.2.1 As with the Open Procedure, the Restricted Procedure assumes that the scope and terms of the contract have been well defined in advance, requiring little or no discussion or negotiation with bidders. The Restricted Procedure is largely a paper-based assessment exercise, in which bidders respond to the client's requirements as set out in the procurement documents, and where tenders are assessed with no former negotiation or discussion between the client and the bidders. Following contract award, the expectation is that the client will enter into contract with the selected tenderer using the form of contract as set out in the procurement documents.
- 3.2.2 Therefore, this procedure requires BHCC to have defined their requirements fully before starting the tender exercise (in terms of preparing the specification and contract documents) and not deviate from those requirements once the tender is underway. However, some clients like to include an interview with shortlisted bidders as part of the tender evaluation process, to enable the client to interrogate the bidders' written submissions.

3.3 Structure of Restricted Dialogue

A timetable setting out our recommended stages involved in the Restricted Procedure is noted at the end of this section.

3.3.1 OJEU Notice and Descriptive Document

The beginning of the Restricted Procedure will require BHCC to publish a Contract Notice in the Official Journal of the European Union (the **OJEU Notice**) signalling its intention to advertise and award the contract. The OJEU Notice must clearly set out BHCC's requirements, and will include at a minimum: a description of the scope of works or services required, with reference to Common Procurement Vocabulary codes; the estimated value and length of the contract, including any Options to extend the contract term; the award criteria for awarding the contract (which will usually be a combination of Quality and Price); any minimum requirements that must be satisfied to be able to bid for the contract; and key dates in the procurement process and information about where bidders can access the procurement documents. BHCC is also required to place a notice on the Contracts Finder website, to advertise the opportunity.

3.3.2 Procurement Documents

The Restricted Procedure requires that all "procurement documents" relevant to the tender exercise are made available in electronic form free of charge to interested bidders from the date that the OJEU Notice is published. "Procurement documents" is defined very widely and includes all specifications of works/services, pricing documents, and the proposed conditions of contract. Therefore to be in full compliance with the Regulations, BHCC would need to have these documents prepared before the OJEU Notice is published, and make these freely available to interested bidders. From April 2018, contracting authorities will be required to run their procurement exercises and make procurement documents via an electronic portal.

3.3.3 **Selection Questionnaire**

Following the issue of the OJEU Notice, BHCC will evaluate the prospective participants against criteria included in a Selection Questionnaire. The Crown Commercial Service, which monitors the use of the Regulations in the UK, has published a standard Selection Questionnaire which should be used by contracting authorities in England and Wales. This document asks a series of basic questions about bidders' past experience and qualifications (which can be supplemented or amended by clients to suit the particular requirements of their project) and questions to determine whether bidders should be disqualified under mandatory exclusion criteria set out in the Regulations (eg where bidders have been guilty of bribery or other offences). Bidders are required to respond to the Selection Questionnaire within a prescribed deadline, and are assessed by the client in accordance with the evaluation criteria set out in the Questionnaire. The Regulations anticipate a minimum of 5 bidders will be shortlisted and invited to submit a tender, unless insufficient bids are received. BHCC is required to write to all bidders, whether successful or unsuccessful, and give them feedback about their scores.

3.3.4 **Tender Stage**

BHCC will then invite the shortlisted tenderers to respond to the Invitation to Tender document (the **ITT**), based on the document made available to bidders when the OJEU Notice was published (supplemented or amended as necessary). The ITT will normally ask bidders to describe their methodology for delivering the contract in accordance with the specification, and provide their prices for delivering the contract including their anticipated profit and overheads. The ITT should set out the Price and Quality award criteria by which the tenders will be evaluated and associated scores and weightings.

3.3.5 **Evaluation and Award**

Evaluation of tenders will be carried out in accordance with the award criteria set out in the ITT to determine which is the most economically advantageous. BHCC is required to write to each tenderer who has submitted a tender notifying them of the award decision and giving unsuccessful bidders feedback on their tender submissions. Following the issue of these letters, BHCC must observe a 10 calendar day standstill period (provided that the letters are issued electronically) before contracts can be finalised.

3.3.6 **Post-Tender Discussions**

Under the Regulations post-tender discussions and negotiations are prohibited. As a result, prospective contractors must ensure that their tenders are the equivalent of a "Best and Final Offer", such that no significant amendments are required and there is no negotiation of the contract terms (other than to correct errors and discrepancies).

3.3.7 Finalisation of contracts/Contract Award Notice

Following the completion of the standstill period and assuming that no legal challenges have been received during that period, BHCC can proceed to finalise the terms of contract with the selected tenderer. BHCC is required to publish a Contract Award Notice in the Official Journal, advertising the details of the award, and place a similar notice on the Contracts Finder website.

3.4 Restricted Procedure Timetable

	Milestone	Duration
1	[Section 20 – Notice of Intention]	[Minimum of 30 calendar days to allow leaseholders to submit observations]
2	OJEU Notice despatched to Official Journal/Contract notice placed on Contracts Finder website	
3	Deadline for receipt of Selection Questionnaire	Minimum of 30 calendar days from date of OJEU Notice
4	Evaluation of SQ responses	Suggest 2 working weeks
5	Issue of Regulation 55 letters to successful and unsuccessful Applicants/Tenderers invited to respond to Invitation to Tender	
6	Submission of ITT responses	Minimum of 30 days (though this can be shortened to as little as 14 calendar days by agreement with tenderers)
7	Evaluation of ITT responses	Suggest 2-3 working weeks
8	Seeking Board/Cabinet decision for conditional award to preferred tenderer	
9	[Section 20 Notice of Landlord's Proposals]	[Minimum of 30 calendar days to allow leaseholders to submit observations]
10	Issue of Regulation 86 letters to successful and unsuccessful	

	Milestone	Duration
	tenderers with feedback	
11	Mandatory standstill period	Minimum of [10] days from date of letters (provided that the letters were issued electronically); must end on a working day.
12	Finalisation of contracts	
13	Contract Award Notice despatched to Official Journal/Award Notice placed on Contracts Finder website.	Within 30 days of award decision

4 **Competitive Dialogue Procedure**

4.1 **Background to Competitive Dialogue Procedure**

4.1.1 The Competitive Dialogue can be an advantageous route to take if BHCC is not able to completely specify its requirements or if it is unable to fix either the pricing model or the contract terms at the outset of the procurement. However, the competitive dialogue has a reputation for taking a long time and for being extremely costly. This does not need to be the case and we note below the timetable of a streamlined Competitive Dialogue procedure that BHCC could adopt in order to minimise time spent in procurement.

4.1.2 Generally, bidders in the asset management and maintenance industry like having the opportunity to put forward innovative and alternative ideas to contracting authorities, which it is not possible to do under an Open or Restricted Procedure exercise.

4.2 **Use of the Competitive Dialogue Procedure**

4.2.1 BHCC may elect to use the Competitive Dialogue procedure when its needs cannot be met without adaptation of a readily available solution or where it cannot objectively define either the technical means of achieving its aims or the legal and/or financial make-up of the project (which may well be the case in respect of Options 3 and 4). In such cases, it is anticipated that the Open Procedure and the Restricted Procedure will not be adequate, since the contract will not be sufficiently well defined to enable the prospective contractors to tender appropriately or for BHCC to properly evaluate such tenders.

4.2.2 The Competitive Dialogue is designed to enable BHCC to explore and develop, with the prospective contractors, solutions which will fulfil its needs and requirements before requiring the submission of final tenders. The prospective contractors then tender against a detailed and worked up solution with minimal prospect for clarification during the post-tender period. Please note that BHCC can limit what it conducts the dialogue in relation to, so that if it has certain minimum requirements or "no go" areas, they can be noted as "non-negotiable" elements of the contract/delivery structure from the outset – this may be

particularly useful in respect of Options 3 (Wholly Owned Subsidiary/Managed Service) or 4 (Joint Venture), where a complete dialogue on all of the features of the delivery structures would take a significant amount of time.

- 4.2.3 In terms of the documentation and the basic steps in the procedure, the Competitive Dialogue gives a contracting authority flexibility during the procurement process to identify the best means of meeting its requirements, but consequently requires more input (both in terms of time and money) from the prospective contractors prior to the submission of their final tenders.

4.3 **Structure of Competitive Dialogue**

A timetable setting out our recommended stages involved in the Competitive Dialogue is noted at the end of this section.

4.3.1 **OJEU Notice and Descriptive Document**

The beginning of the Competitive Dialogue Procedure is the same as the Restricted Procedure. The OJEU Notice and/or the Descriptive Document must clearly set out what BHCC requires from the awarded contract to enable the invited participants in the Dialogue to propose their solutions.

4.3.2 **Procurement Documents**

As with the Restricted Procedure, the Regulations requires all "procurement documents" relevant to the tender exercise to be made available in electronic form free of charge to interested bidders from the date that the OJEU Notice is published. However, the Crown Commercial Service has published a guidance note stating that procurement documents for complex procurement procedures do not need to be made available at the start of the exercise and may be made available to tenderers as the documents become available. This suggests a degree of flexibility particularly to issue the tender documents and forms of contract later in the tender exercise after a shortlist has been selected.

4.3.3 **Selection Questionnaire**

The pre-qualification stage is the same as for the Restricted Procedure, requiring the use of the Crown Commercial Service's Standard Selection Questionnaire (which can be amended as required) and stating the evaluation criteria. Following the evaluation of the Selection Questionnaires against the evaluation criteria, BHCC are required to shortlist a minimum of three bidders to be invited to submit an Outline Solution. However, if BHCC wishes to skip the Outline Solutions stage, it can shortlist a minimum of 3 bidders to participate in Dialogue (and ignore a mere formal Outline Solution stage – see below).

4.3.4 **Outline Solutions stage**

- (a) It is recommended (but not compulsory) to invite bidders to present their Outline Solutions, in response to the procurement documents. This will give BHCC an opportunity to review the tenderers' proposed methodology for delivering the contract and their approach to the contract documents, which will form the basis of Dialogue discussions.

- (b) Following expressions of interest, BHCC will evaluate the prospective participants against criteria included in the Outline Solutions responses and invite the short-listed organisations to participate in Dialogue (each a **Participant**). The short-list must consist of at least three Participants.
- (c) Alternatively, BHCC could bypass the Outline Solutions stage and go straight to Dialogue. The downside of this approach is that BHCC will have very little information about the Participants' offerings on which to run structured Dialogue sessions or to engage in the details of the contract. The risk is that a Participant may be invited to Dialogue who may be unable to deliver the contract, which might have been more easily established in an Outline Solutions exercise.
- (d) If the Outline Solutions stage is to be skipped, we recommend that BHCC establish key gateways during the Dialogue process, where Participants will be required to review and respond to key documents (especially around pricing and the form of contract) to ensure that, at Best and Final Offer Stage, robust and realistic bids are submitted.

4.3.5 Dialogue Stage

- (a) The Dialogue phase is designed to enable BHCC to identify the most appropriate means of satisfying its contractual needs and requirements. The Participants will propose their solution(s) (based on the information included in the OJEU Notice and/or Descriptive Document) which will be further developed during the Dialogue. Under the Regulations, contracting authorities can discuss all aspects of the contract with the Participants, provided that the principle of equal treatment is followed. Contracting authorities cannot discriminate between the Participants by providing information which may give some Participants an advantage over others. However, contracting authorities also cannot reveal the solutions proposed by individual Participants to other participants without that particular Participant's agreement. This is likely to lead to some tension between a contracting authority's duty to be fair and open with all Participants and the Participants' understandable desire to keep confidential solutions which they have spent time and money developing.
- (b) There is no set time period for which the Dialogue phase should last, nor do the Regulations provide much detail as to how the Dialogue should be conducted. Previous guidance issued by the Office of Government Commerce (now the Crown Commercial Service) suggests that it is likely that most discussions during this phase will be with each Participant about its own solution(s). The Regulations also identify that it is possible for contracting authorities to reduce the number of solutions and Participants during the dialogue phase, provided that the criteria for doing so are set out in the OJEU Notice and/or the Descriptive Document.
- (c) Once BHCC is satisfied that it has identified a solution(s) that will meet all of its requirements, it must declare the Dialogue complete and invite

the remaining Participants to submit their Best and Final Offers for the identified solution(s).

4.3.6 **Best and Final Offers and Evaluation**

- (a) Evaluation of Best and Final Offers will be carried out in accordance with the award criteria set out in the Descriptive Document and/or the Invitation to Submit Best and Final Offers document. The Regulations prohibit a contract being let under the Competitive Dialogue from being evaluated on a lowest-price basis, so the Final Tender must be assessed on a combination of quality and price.
- (b) BHCC is required to write to each Participant who has submitted a Best and Final Offer notifying them of the award decision and giving feedback on their tender submissions, and the name and scores of the winning tender. Following the issue of these letters, BHCC must observe a 10 calendar day standstill period (provided that the letters are issued electronically) before contracts can be finalised.

4.3.7 **Post-Tender Discussions**

- (a) Under the Regulations the potential for post-tender discussions and negotiations under the Competitive Dialogue procedure is limited. BHCC is only permitted to ask participants to "clarify, specify or optimise" their tenders. However, this cannot involve any changes to the basic features of the tender (e.g. price or risk-allocation). As a result, prospective contractors must ensure that their tenders are the equivalent of a "Best and Final Offer", such that no significant amendments are required.
- (b) Having selected its preferred bidder, BHCC can only ask the preferred bidder to clarify aspects of the tender or confirm commitments contained in it. Again, this cannot result in substantial aspects of the tender being altered.

4.3.8 **Finalisation of contracts/Contract Award Notice**

Following the completion of the standstill period and assuming that no legal challenges have been received during that period, BHCC can proceed to finalise the terms of contract with the selected tenderer. BHCC is required to publish a Contract Award Notice in the Official Journal, advertising the details of the award, and place a similar notice in the Contracts Finder site.

4.4 **Competitive Dialogue Timetable**

	Milestone	Duration
1	[Section 20 – Notice of Intention]	[Minimum of 30 calendar days to allow leaseholders to submit observations]
2	OJEU Notice despatched to Official Journal/Contract	

	Milestone	Duration
	notice placed on Contracts Finder website	
3	Deadline for receipt of Selection Questionnaire	Minimum of 30 calendar days from date of OJEU Notice
4	Evaluation of SQ responses	Suggest 2 working weeks
5	Issue of Regulation 55 letters to successful and unsuccessful Applicants/Tenderers invited to respond to Initial Tender or Participate in Dialogue	
6	Briefing Session (Optional)	
7	Submission of Outline Solutions	Suggest 3-4 working weeks
8	Evaluation of Outline Solutions and shortlisting of Participants to be invited to Dialogue	Suggest 2 working weeks
9	Issue of Regulation 55 letters to successful and unsuccessful tenders/Despatch agenda and final timetable for Dialogue sessions to successful Participants	
10	Dialogue sessions with each Participant to discuss and identify preferred proposals	Suggest 3-6 weeks (assuming a minimum of 3 Dialogue sessions with each Participant)
11	Conclusion of Dialogue/Issue of Invitation to Best and Final Offers	
12	Deadline for submission of Best and Final Offers	Suggest 3-4 working weeks
13	Evaluation of Detailed Solutions	Suggest 2 working weeks
14	Seeking Board/Cabinet decision for conditional award to preferred tenderer	
15	[Section 20 Notice of Landlord's Proposals]	[Minimum of 30 calendar days to allow leaseholders to submit observations]
16	Issue of Regulation 86 letters to successful and unsuccessful tenderers with feedback	
17	Mandatory standstill period	Minimum of [10] days from date of letters (provided that the letters were issued electronically; must end on a working day.
18	Finalisation of contracts	
19	Contract Award Notice despatched to Official Journal/Award Notice placed on Contracts Finder website.	Within 30 days of award decision



dated 6th July 2018

Brighton & Hove City Council

Supplemental Report to an Options Report for the delivery of responsive repairs services, planned maintenance and improvement programmes and large capital projects

Trowers & Hamlins LLP © 2018
3 Bunhill Row
London
EC1Y 8YZ
t +44 (0)20 7423 8000
f +44 (0)20 7423 8001
www.trowers.com

trowers & hamlins

Supplemental Report to an Options Report for the delivery of responsive repairs services, planned maintenance and improvement programmes and large capital projects

1 Introduction

1.1 This document has been produced by Trowers & Hamlins LLP and Savills (UK) Limited and has been prepared for use by Brighton & Hove City Council (**BHCC**) and should be read in conjunction and as supplemental to the initial Options Report we prepared and dated 19th April 2018.

1.2 BHCC has asked Trowers & Hamlins LLP and Savills (UK) Limited to respond to the questions noted in Section 2 below. These questions arose from the Procurement Advisory Board (**PAB**) meetings held on 30th April 2018 and 4th June 2018 and afterwards in relation to the initial Options Report.

2 Questions as detailed in this report:

2.1 The following questions have been raised through discussions at the above meetings and in relation to the Options Report presented to key stakeholders. The answers to these questions make up the body of this supplementary report.

- What position does BHCC hold in the market place?
- Can you provide a summary of the main risks BHCC faces when shaping services post 2020?

Questions relating to Delivery Options:

- How does the management and employment of staff operate in the wholly-owned subsidiary model?
- Would there be union representation in the employment board for this model?
- What would be the role of sub-contractors in the contracted service model?
- How does cost control operate across the models detailed? Do they provide scope for transparent costings? (inc. SoRs, Price Per Job, Price Per Property and Open Book)
- How would the Wholly Owned Subsidiary Model be affected by the pressure of shareholders?
- What is the impact of direct delivery in terms of saving on contractor profit margin?
- What would be the timescales for each of these options?
- How do each of the Options deliver a level of competitiveness between contractors?
- How do each of the Options relate to the ability to have an increased level of local spend?

- What would be the cost impact in terms of investment in a direct delivery service?
- What would be the resourcing requirements of the options detailed?
- Discuss client team requirements and customer contact centre?
- Achieving social value through the different options?
- What flexibility for works are there in different option to adapt to changing priorities?
- How is leaseholder consultation take place for a framework agreement?

3 Market Position and risk statement

- 3.1 BHCC's re-procurement of its repairs and maintenance service represents an attractive proposition to the market. A new contract will offer a reasonable-sized annual value and volume of work which will be attractive to both national contractors and the more regional players.
- 3.2 However, the key to success and making the new contract most attractive is by ensuring that the work is packaged into Lots in such a way that it encourages maximum interest and competition. Splitting the work packages into Lots for tender purposes means that the lot sizes and scope can be designed to maximise attractiveness to the market and encourage bids from Small and Medium Enterprises (**SMEs**) if this is a desired objective. At the same time, by allowing contractors to bid for more than 1 Lot (as per paragraph 3.3 below), it becomes even more attractive to some larger contractors and could result in lower costs to BHCC through greater economies of scale.
- 3.3 Whilst there are a number of contractors that would bid for an all-inclusive contract similar to the current contract, this would reduce the pool of contractors. With this in mind, we have suggested in the Options Report that capital and revenue work is therefore split and a 'mixed economy' route is adopted. However, it is recognised that contractors bidding for the revenue work will most likely be keen to undertake some of the capital work as well and this will help to defray set up and fixed costs across the contracts. Therefore it is imperative that the procurement model contains flexibility to accommodate this.
- 3.4 In respect of the individual options, the Outsourced Model (Option 2) will remain attractive to the widest audience as there are more contractors able to bid for this work. The Wholly-Owned Subsidiary Model (Option 3) and JV Model (Option 4) will have a limited number of participants that will tend to be the larger contractors experienced in this more complex type of contracting arrangement.
- 3.5 The contracting industry is always keen to engage directly with a client as main contractor rather than act as a sub-contractor and therefore BHCC will be able to attract interest in establishing its own supply chain. However, this requires a level of resource that BHCC is unlikely to have at the current time and therefore it would be expected to take some time to develop. BHCC also needs to operate within the confines of its own procurement rules as well as the requirement of the Public Contracts Regulations 2015 (**PCR 2015**). Similarly, the level of bureaucracy and some contractual obligations often imposed by local authorities can be off-putting to some smaller contractors used to operating in the private sector.

3.6 In summary, whilst we would certainly envisage good interest in a well-packaged opportunity if it were tendered, market conditions are different than when the contract was last procured in 2009. The construction market was considerably different at the time, struggling with the recession and impact of a number of contractor failures, and market sentiment is stronger now than it was then. This elevated activity, coupled with increasing risk around labour (the 2016 Farmer Review of the UK Construction Labour Model referred to the real ticking 'time bomb' of the industry's workforce size and demographic), result in an increased risk of upward price pressure and the procurement model needs to recognise this.

4 **Risk summary statement**

4.1 **Skills:** Each of the delivery Options will require different management skills to support efficient delivery. Existing skills are likely to be aligned to delivery via a contractor model and the current model includes for outsourcing of some traditional client functions. BHCC will need to build the skills necessary, through a mix of internal and external resource, to effectively run the contracts. Running an in-house service will require commercial management skills that are not traditionally found within client contract management teams. The Subsidiary Options or JV Options may provide a middle ground where the skills can be provided by the contractor partner. In our experience, however, there would still be additional client skills required to run the Subsidiary and JV Models effectively.

4.2 **Investment:** The level of upfront investment varies considerably between delivery models and the savings would need to be delivered to generate return on this investment. This investment requirement would need to be clearly understood to inform a detailed appraisal of the options. The ability to deliver savings is closely linked to skills.

4.3 **Cost variance:** Some of the Options would involve additional exposure to the risk of overspend. Current contractual prices were procured in 2008 although inflation increases have been applied, it is likely that due to changes in the market over the last decade there is risk that all models will see differences to current costs.

4.4 **Legal, tax and accounting:** There are considerable legal, tax and accounting considerations. Whilst we are able to comment generally on some of the key issues it is essential that appropriate advice is taken once an Option has been selected to ensure that arrangements are appropriately structured. In addition wider tax and accounting impact, HR and pensions issues linked to transfer of staff, and legal and regulatory issues will likely require specialist advice.

4.5 **Procurement:** Any procurement must be structured to comply with the Public Contracts Regulations 2015, general EU Treaty principles and BHCC's internal governance rules.

4.6 **Leasehold:** Compliance with the appropriate regulations to ensure that BHCC meets its legal obligations for consultation and can also recover costs when delivering work.

4.7 **Timing:** Whilst April 2020 may seem some way off some of the delivery models discussed may take 18 months to plan, procure and mobilise. In addition, prior to this action a DLO business case may need to be produced and agreed with key stakeholders. This is likely to require an immediate start.

- 4.8 **Service:** Any change in service provider creates a risk to service delivery through the demobilisation and mobilisation phases. This will need to be managed and appropriate mitigation put in place.
- 4.9 **Control:** Increased control, in order to be able to adjust the approach to best meet need, is discussed as an advantage in a number of the delivery models. It should be noted that, particularly for the options where there is joint control, how control is structured on paper and how it operates in practice can differ. We have seen a number of examples, particularly in models with contractor involvement, where clients fail to effectively exercise the control available to them. It is therefore important to consider ongoing management expertise carefully alongside the initial structuring.
- 4.10 **Employee and industrial relations:** when re-procuring the service a relevant issue for all of the models is the need for BHCC to engage effectively and meaningfully with all affected employees, unions and other interested stakeholders in order to ensure that all parties are consulted and/or informed (when appropriate) of the ensuing changes. Failure to engage the relevant parties at the correct time could risk creating poor lines of communication and/or relationships with employees and unions to the detriment of the service delivery and the ultimate attainment of BHCC's objectives.
- 4.11 **Contractor default/insolvency:** The risk of contractor default/insolvency needs to be considered and appropriate mitigation put in place.
- 4.12 **Exit:** Through the current partnering arrangement and previous partnering contracts BHCC has gained experience of longer term arrangements. Exit routes should be carefully considered.
- 5 **Questions relating to Delivery Options:**
- 5.1 **How does the management and employment of staff operate in the wholly-owned subsidiary model?**
- 5.1.1 The employees delivering the services will be employed by a wholly owned subsidiary (**WOS**) of BHCC and will be the transferee in a transfer in of the incumbent contractor workforce under TUPE. This means the legal responsibility for the employment of those staff and any liabilities relating to the workforce in terms of employment law rests with the WOS. However on a day-to-day basis, decisions about managing the workforce are directed by a contractor who is employed to manage that workforce. Seen through the eyes of one of the employees what this means is that they receive instructions on what to do, and how and when to do it, from a manager as now, but that manager is employed by the contractor not the WOS.
- 5.1.2 However, the contractor cannot have the right to determine decisions about key aspects of the employment relationship: recruitment, termination of employment and so on. Ultimate control is retained by the WOS. That is because a transfer of control could result in the contractor being deemed to be the employer. Instead the contractor makes recommendations which are applied by the WOS. The limits on the contractors ability to make recommendations in relation to particular aspects of workforce management and the sharing of legal and commercial risk is set out in the agreement between the WOS and the contractor to provide that managed service.

5.1.3 In the model discussed, an employment board is established to deal with contentious decisions where a determinative decision is required by the employer (i.e. the WOS). This enables the contractors reason for making a recommendation can be explored alongside any reservations on the part of BHCC, for example a concern that a move to changing terms in conditions in the WOS could create potential risks for BHCC's industrial relations. Alternatively, BHCC could adopt an employment protocol with its selected contractor that deals with employment decisions and associated responsibilities/processes etc. A further option is for the contractor to indemnify BHCC against all or any employment claims/difficulties etc arising in connection with the contract. In our view this latter option is the least attractive, as a contractual indemnity may well cover all potential cost and legal liability, but it does not avoid the accrual of any embarrassment caused by the employment issue or mishandling of it by the contractor in the first place.

5.2 Would there be union representation in the employment board for this model?

There is no requirement for there to be union representation in the employment board and this is not usually the case. Normally, we would not recommend union representation on the board, given the risk that unions would use their role to either seek to block the contractor's recommendations for change, and/or could use information gathered from the Board in the course of negotiations with the Council.

5.3 What would be the role of sub-contractors in the contracted service model?

A question was raised about the role of sub-contractors. It was explained that Option Two would not be disadvantaged if sub-contractors were used.

5.4 How does cost control operate across the models detailed? Do they provide scope for transparent costings

A question was raised about cost control in relation to options 2, 3 and 4. Under Options 3 and 4 BHCC would have greater representation within the organisations and hence a better line of sight in respect of costs.. There was an enhanced management role for BHCC in terms of cost management.

Cost control will vary according to the delivery model and the pricing methodology. Ultimately direct delivery would allow BHCC direct control and cost transparency, but also bring the greatest exposure to cost variance. Control in the JV Model (Option 4) will be shared as will exposure to the cost variance. For the Outsourced Model (Option 2) and Wholly-Owned Subsidiary Model (Option 3) the level of cost control, cost transparency and the exposure to cost variance will be dependent on contract terms and pricing model. The primary pricing models are listed below along with some brief commentary on how each is typically used and the likely impact on cost control. Each of these models can be used with any of the Options 2,3 and 4.

5.4.1 Schedule of Rates (SoR)

- (a) The contractor will price a percentage increase/decrease against the SoR and the appropriate work items from the schedule can be added on a job by job basis to arrive at a price for the work. The contractor's percentage increase/deduction against the schedule can easily be

varied for different work types or values. SoR is most commonly used for responsive repairs but can be applied across almost any work type, provided that the SoR includes the appropriate tasks. The current contract utilises a SoR.

- (b) In general, SoR arrangements have a number of benefits:
- Ability to produce very accurate and detailed work schedules.
 - Handling of variations in a fair and transparent way through adding and omitting schedule items as required.
 - Support detailed benchmarking and analysis of work content and trends.
 - National SoRs are well understood in the industry and can be used as a method of cost management and also monitoring productivity.
- (c) SoR arrangements do carry additional risks including.
- No visibility of underlying cost- only SoR price.
 - Risk of error given the large number of items typically included.
 - High level of variations.
 - Resource requirement to audit the appropriate use of schedule items.
 - Administration associated with job processing and invoicing.

5.4.2 **Price per Job (PPJ)**

- (a) A PPJ model offers an alternative to SoR based pricing for some work streams. The application of this approach is now fairly common in the sector for repairs and empty properties (known in the industry as voids). It is widely used for planned works through the use of "basket" rates.
- (b) The application of PPJ approaches varies by work type. Typical approaches to common work types are listed below and these can be used in combination for any of the Options 2,3 and 4:
- Responsive repairs: An average price for all repairs up to a certain value (referenced from an underlying SoR).
 - Voids: An average Price Per Void (**PPV**) based on a defined scope of works supplemented by a schedule of rates for additional tasks. Alternatively an average PPV based on a range of underlying SoR values (e.g. any job with SoR value of between £1,000 to £2,000 is charged at a pre agreed average price).

- Cyclical and planned: Generally a basket rate for a particular type of job/archetype combination, for example a boiler replacement to a one bed dwelling and extending to all-inclusive basket rates for component replacements of kitchens, bathrooms, windows etc.
- (c) The PPJ approach offers a number of benefits:
- Client and contractor share an objective to control cost.
 - Reducing administration.
 - Clearer spend predictability.
 - Rates can be easily aligned to business plan affordable rates.
 - Client resource can be more focussed on quality and customer experience as opposed to SoR application/variations.
- (d) The PPJ approach can bring additional risks, including:
- For work types where volume is variable (e.g. responsive repairs) this model can create an incentive for the contractor to do more repairs.
 - The contractor carries more risk under this model and will price this. Subsequently the approach needs careful design to ensure that risk allocation is appropriate.
 - An underlying SoR is still usually required and usage still needs to be logged and managed.
 - Where a value cap is in place orders close to it will require careful management. For the same reason inclusion/exclusion lists also require careful drafting and management.
 - No visibility of underlying cost- only job price.

5.4.3 Price per Property (PPP)

- (a) The PPP model is now commonly used in the sector for responsive repairs and domestic gas servicing and maintenance. Typically it will be governed by a defined list of included/excluded activities and a cap on the value of individual orders (referenced from an underlying SoR). All work within these parameters is included and charged at an average price per property. Whilst this model could be used under all Options, it is likely to be best suited to Option 2 as it reduces BHCC's pricing risk.
- (b) The PPP approach offers a number of benefits:

- Usually carries the lowest level administration as invoicing can be done periodically by arrangement for a set period of service provision.
 - Clear spend predictability.
 - Rates can be easily compared to Business Plan estimated rates.
 - Customer satisfaction can increase as there is less delay for client approval of variations.
 - Client resource can be more focussed on quality as opposed to schedule of rates application/variations.
 - Contractor has an incentive to control volume as well as cost.
- (c) The PPP approach can bring additional risk:
- Contractor has an incentive to limit works costs/volume. This needs to be carefully managed to ensure that requirements are being met.
 - Contractor carries more risk under this model and will price this. Subsequently the approach needs careful design.
 - The tender documents need to be underpinned by good quality and detailed repairs history otherwise tenderers will price in additional risk.
 - An underlying SoR is still usually required and usage still needs to be managed.
 - Where a value cap is in place, orders close to the value cap will require careful management to ensure that any extra claims are appropriate.
 - Poor drafting of the inclusion/exclusions list creates a risk of a large number of claims for work outside the agreed price.
 - Visibility of work cost and content at the local level can be lost.
 - No visibility of underlying cost- only job price.

5.4.4 **Open-book**

- (a) The use of Open-book type arrangements have continued to increase in the sector. Whilst there are a number of variations they all, in summary, focus on identifying remunerable cost items and agreeing the margin that can be added to those costs. Pricing is then generally based on the actual cost plus the agreed margin. It is a model that would work under

Options 2,3 and 4 although is probably best suited to Options 3 and 4 in this case.

- (b) Open-book agreements can include 'pain and gain' principles to provide an incentive to the contractor to manage costs. Typically, this would involve setting a target cost. This could be a PPP/PPJ or target labour, material or plant costs. The contractor would receive a bonus or penalty based on an agreed percentage of any difference between the target and actual cost.
- (c) Note that the TAC-1 Term Alliance Contract (which is one of the standard form contracts discussed in Annex 3 of the Options Report) contains a definition of "Open-book", requiring that the Service Provider declares all the elements of its price and making its invoices and books of account available to the client for inspection.
- (d) The Open-book approach offers a number of benefits:
 - Reduces the risk premium that will be included in the fixed price models.
 - Open-book methodology can provide visibility of cost that isn't provided in the other models.
 - Provides consistent margin across tasks reducing any incentive to complete the most profitable work types.
 - Efficiency targets can easily be built in through target costs (where applicable).
 - Client immediately benefits from changes/efficiencies.
- (e) The Open-book approach can bring additional risk:
 - Contractor can lose the incentive for efficient delivery if cost is reimbursable and margin is protected.
 - Client carries more price variation risk (costs may go down or up).
 - It can be hard to get reliable and detailed cost information.
 - Additional skill and cost knowledge required in the client management team to interrogate and challenge.

5.5 **How would the Wholly Owned Subsidiary Model (Option 3) be affected by the pressure of shareholders?**

BHCC would be the sole shareholder in the WOS company. The commercial pressure on the labour-force in the WOS would come from the contractor partner managing the WOS, who is likely to seek to achieve a level of productivity and efficiency, in line with its tender.

5.6 **What is the impact of direct delivery in terms of saving on contractor profit margin?**

Typically a main contractor's declared profit margin is between 2-4% and we understand the current Mears contract runs at a 4%. However, this does not mean that direct delivery will directly result in savings of 4% as there will be other costs incurred by BHCC not incurred by an external contractor that will offset some of these savings. In setting up a DLO, BHCC would incur additional set-up costs (including IT, staff costs such as improved pension rights, potential higher purchasing costs) and BHCC may not have the same purchasing power as the contractor. A well-run DLO should also aim to make a return, and any profit would be returned to BHCC. .

For the WOS model, a similar level of profit would apply as for an outsourced model, albeit that the contractor is accepting a degree of risk in managing operatives it does not directly employ, and so a WOS contractor might seek a higher level of profit to balance this risk.

In a JV model, profit would be shared between the parties based on the contractual arrangements agreed in the JV governance documents. We anticipate that BHCC would be likely to be the major shareholder in a JV company, though the precise division of profit between the parties will be a matter of commercial negotiation, and consideration of the tax implications of the agreed structure.

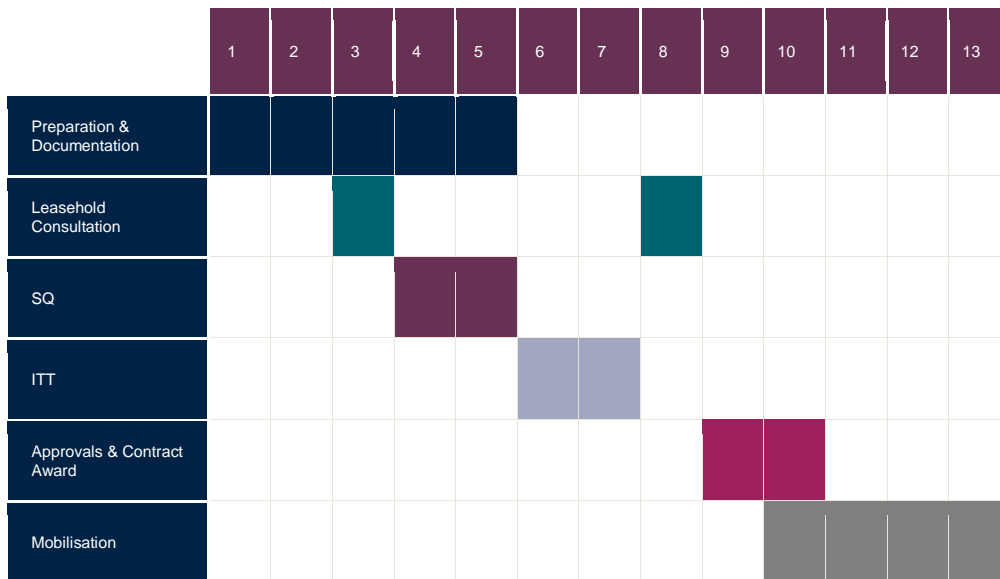
5.7 **What would be the timescales for each of these options?**

The timescales for each option vary and, as can be seen below, time is of the essence for each Option:

Outsourced Model (Option 2):

5.7.1 A typical Restricted Procedure procurement of the Outsourced Model (Option 2) would take 13 months as outlined below. It is possible to condense the timetable but care needs to be taken to ensure that the documentation accurately reflects requirements and that adequate mobilisation time is allowed. In this regard, the procurement work for this model would need to commence by March 2019. In advance of this, we recommend a detailed investment plan and procurement model is developed that establishes the tender packages and lots. Typically this can take up to 4 months assuming all requisite data is available.

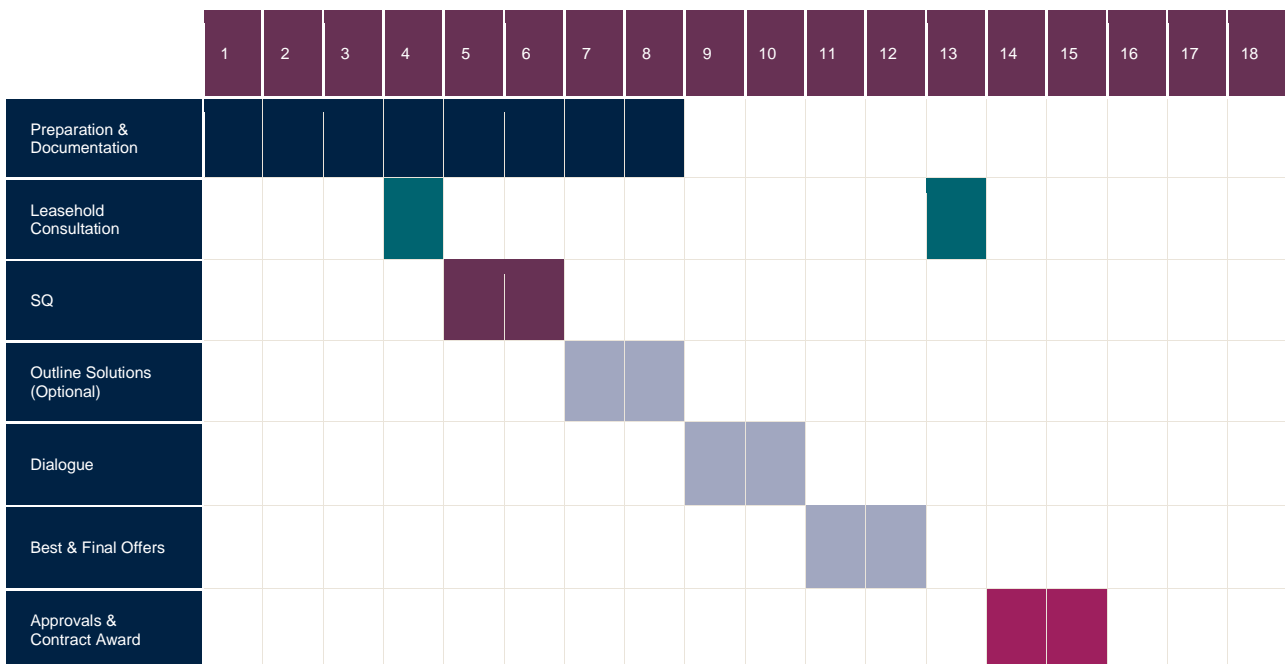
Month



Wholly-Owned Subsidiary Model (Option 3) and JV Model (Option 4):

5.7.2 The Wholly-Owned Subsidiary Model (Option 3) and JV Model (Option 4) are likely to require additional preparation time at the outset. It is likely that these models will be best suited to the Competitive Dialogue Procedure and subsequently additional time will be required in the procurement phase. These models would also benefit from development of investment plans prior to tendering similar to Option 2 above but the nature of the procurement process and the type of contract structure mean that this could be developed in parallel. A typical timetable of 18 months is set out below:

Month



DLO (Option 1)

5.7.3 The timetable for the establishment of a DLO (Option 1) is typically 18 months. We would envisage it taking 4 months to produce a detailed business case with mobilisation plan and presenting for consideration/approval. The business case would typically include for analysis of existing work scope and trends, identifying future work scope for the DLO, understanding of performance and productivity as well as resources, TUPE and HR issues, developing the financial model and cost benefit analysis, legal structure and tax, procurement of supply chain, mobilisation requirements, IT and fleet. If approved this would be followed by the mobilisation phase (typically 14-15 months) which would run alongside a supply chain procurement exercise (typically 13 months as detailed above). We recommend targeting completion of DLO mobilisation works (save for any TUPE transfer or subsequent recruitment) and any supply chain procurement 2 months prior to the end date of the existing contract in order to manage risk. In this regard, commencement of work on the outline business case ideally needs to start in August 2018. If additional time is likely to be required this needs to be added to the timeline.

5.7.4 If the DLO Option is to be considered then work on establishing the business case would need to start immediately in order to leave adequate time for DLO mobilisation and/or subsequent procurement work. We would recommend that work on implementing a DLO or Wholly-Owned Subsidiary or JV Model commence during October 2018 to allow effective mobilisation before current contract expiry. Any DLO business case would, therefore, need be considered and agreed during October 2018. Failure to do so could result in either a rushed procurement or mobilisation exercise which may increase service delivery risk. If a decision was delayed further there would be risk that a compliant procurement exercise could not be concluded before the expiry of the current contract.

5.8 How do each of the Options deliver a level of competitiveness between contractors?

5.8.1 It is possible to have a competitive element in all the models. The key issue is structuring the contract correctly at the outset, developing a long term investment plan that enables tenders to be invited against Lots and provides clarity on what contractors are tendering for. This will help to achieve the best possible initial tender prices, within a competitive environment, irrespective of the contract model.

5.8.2 The Outsourced model will deliver competitiveness through a number of options such as:

- (a) Instead of using fixed term contracts similar to the current arrangement, a number of framework agreements can be set up for individual lots, covering a 4 year period, whereby a number of contractors who are subsequently instructed to deliver the works. The framework can be

incentivised with call-offs based on performance thus rewarding highest performance with more work opportunities. Alternatively, mini tendering between the framework contractors on an annual or biennial basis can also be undertaken, though this would have the effect of splintering service delivery between a number of contractors;

- (b) Market testing of rates on a periodic basis;
- (c) Best value comparisons between contractors working concurrently on a framework;
- (d) Incentivising contractors by offering greater volumes of work to the best performing/lowest cost contractor working via a framework;

5.8.3 The WOS and JV models offer fewer options to deliver competitiveness. The WOS model and JVCo will both utilise the TUPE transferred workforce for the revenue work and therefore the labour element is essentially fixed. The options for maximising competitiveness are therefore limited to the material supply chain and sub-contractors, both of which could be periodically tendered. For capital works, there is a similar range of options as per the outsourced model above. Mears currently sub-contract all large scale capital work elements via individual tenders and the new delivery vehicle of a JV or Wholly-Owned Subsidiary would probably do the same, at least in the short term. Therefore future mini-tendering or market testing can easily be adopted.

5.8.4 The DLO model offers similar options to the Wholly-Owned Subsidiary although all procurement would need to comply with BHCC tendering requirements.

5.9 **How do each of the Options relate to the ability to have an increased level of local spend?**

5.9.1 Virtually all of Savills/Trowers & Hamblins' partnering contracts procured over the last 15 years have "social value" clauses placing obligations on contractors to maximise the opportunities for local residents, businesses, supply chain etc. While the Public Contracts Regulations 2015 prevent the use of evaluation or award criteria directly favouring the use of local labour, it is possible to create various operational arrangements and KPIs that are intended to encourage the use of local firms, the employment of local residents and creation of local economic benefits. Working in conjunction with BHCC's Economic Development Department (or similar), the tender exercise needs to identify what type of social value BHCC is aiming to achieve and require contractors to put forward their proposals to deliver this. This will apply to all models, however, to differentiate between them we have set out some considerations below:

- (a) DLO Model (Option 1) - This offers the greatest opportunity to directly engage local staff and businesses, as long as the respective procurement rules are followed.
- (b) Outsourced Model (Option 2)
 - i The social value requirements are best effected through a partnering type contract and need to be stipulated in the tender documents and

contractors' proposals and then subsequently evaluated. This sets the base case and thereafter it is incumbent on the client to drive the contract requirements through a performance management regime that makes social value a key requirement. In practice, most main contractors will look to utilise local supply chains where possible as they will be familiar with the city. Clearly, this will not be at any cost, as contractors will have tendered a rate for the work at tender stage and therefore will be kept to that by BHCC. If local supply chains become more expensive then it is unlikely that they will be engaged. The success of this type of arrangement is therefore often down to a level of 'marketing' by the client and contractor to engage local suppliers in the process and encourage them to work with the main contractors.

- ii There is also the option to package the work in such a way that it fits the capacity of the local contracting market and thus encourages them to bid in the first place.
 - iii This model can also place obligations on the tenderers to employ local apprentices (as per current Mears contract) and make them responsible for ensuring their successful training etc but to achieve this requires longer term contracts and is nullified if an annual mini tender route is adopted as the contractors have no long term continuity of work.
- (c) JV Model (Option 3) and Wholly-Owned Subsidiary Model (Option 4) – Similar to the DLO but with some commercial imperative to produce a return to the private sector partner but BHCC has a huge influence over how social value can be maximised.

5.10 **What would be the cost impact in terms of investment in a direct delivery service?**

The Options Report has some further detail on in this but, in summary, it is difficult to establish the likely investment in mobilising a DLO with great accuracy at this stage. In our experience, investment of between £1 million - 1.5 million is typical to effectively support the establishment of a medium size DLO. ICT investment is typically the largest cost item followed by external support (technical, procurement, legal, financial and marketing costs). Restructuring costs incurred following any transfer of staff from BHCC's incumbent contractor can also be a major cost item but is commonly the most variable. The extent to which existing infrastructure could be used will also have a bearing on the investment requirement.

5.11 **What would be the resourcing requirements of the options detailed?**

It is difficult to give an accurate picture on the level of resource without more detailed analysis and understanding. However we have provided some indication of the likely size of client teams based on stock size and current expenditure. This is based on the high level assumptions outlined below and should subsequently be treated with caution.

There is no set rule for the how the size of the client function is impacted by each of the delivery options outlined. It is common to see a reduced client function in organisations operating under the DLO model (Option 1) and, to a lesser extent, the JV model (Option 3). A number of organisations have widened the scope of outsourced delivery solutions to include some functions traditionally undertaken by client teams and this will impact on the

size of the team. The number of contractors employed will also have an impact. Where organisations contract directly with multiple smaller contractors there is often a requirement for increased client resource to manage the various contracts.

In our experience a strong client function is critical to the effective delivery of asset management programmes, regardless of the delivery model. With this in mind, we would caution against an assumption that any one delivery model can reduce the size of the client team without a clear understanding of structure, roles and responsibilities. Ultimately the strategy, planning, monitoring and assurance activities traditionally undertaken by client teams will need to sit somewhere within the structure. The risks associated with them being reduced, or undertaken within the delivery function, need to be clearly understood.

We note that the delivery solution will result in a varied impact on corporate services (HR, finance, IT, procurement and legal services provided through Obris). The outsourced solution (Option 2) typically has the smallest impact. That said a change in the approach to outsourcing may result in some ICT and HR impact if any of the functions delivered by the incumbent contractor are insourced. A brief summary of the key considerations in each area is below:

- HR- The impact is likely to be greatest in the DLO (Option 1) and Wholly-Owned Subsidiary models (Option 4). The impact in the JV model will be dependent on the split of roles and responsibilities but there will, at least, be a requirement for an effective oversight function by BHCC.
- Finance- The impact is likely to be greatest in the DLO model where there will be a requirement to operate some sort of trading account. Any of the options that require a separate company will create a requirement for that entity to be governed and administered.
- ICT- Again it is likely to be the DLO model that has the greatest impact as the client and contractor functions will need to be supported by effective ICT. In all of the other delivery models contractor infrastructure can, at least to some extent, be utilised.
- Procurement- Procurement support will be required to mobilise under all of the delivery options. Under the DLO option there will be a need to procure and manage a supply chain including subcontractors and material suppliers alongside operational infrastructure. Procurement of the Wholly-Owned Subsidiary or JV model is likely to follow the Competitive Dialogue route which may require more procurement support than the Open or Restricted routes.
- Legal- Legal support will be needed to procure and mobilise under any of the options. The outsourced option is likely to require the lowest amount of legal support. Where the set-up of either a company needs to be considered (Wholly Owned Subsidiary, JV, DLO) legal support around vires issues and company formation is likely to be required. The Wholly-Owned Subsidiary, DLO and JV models are likely to require additional legal input to support the transfer of employees.

5.11.1 **Client Team (excluding Customer Contact Centre)**

Based on £28m total expenditure and assuming client costs of 6-8% we believe client costs would be £1.68m to £2.24m. This would typically equate to 28 - 37 staff.

5.11.2 **Customer Contact Centre**

We would expect the Customer Contact Centre function to require 8-10 staff.

5.11.3 **DLO Model (Option 1)**

- (a) We have considered the likely work that could be undertaken by directly employed teams. We have made an assumption that responsive repairs, voids works and internal planned maintenance (kitchens and bathrooms) are the work streams that would be likely to be delivered through directly employed staff. Each is considered further below:
- (b) Responsive repairs: We have assumed that 10-15% of work by value would be specialist and subsequently that subcontractors would be required to support delivery. In addition a further 5-10% of work by value would be subcontracted to deal with peaks and troughs in work flow. For these reasons we have assumed that 75% to 85% of responsive work could be delivered by directly employed staff. We don't have an expenditure split between responsive repairs and voids (empty properties) so we have assumed 2/3rds of the combined £5.13m (direct costs) average annual expenditure is on responsive- £3.42m. Indicative DLO turnover is therefore forecast to be £2.57m to £2.91m.
- (c) Void repairs: We have assumed that 10-20% of work by value would be specialist and subsequently that subcontractors would be required to support delivery. In addition a further 20-30% of work by value would be subcontracted to deal with peaks and troughs in work flow. For these reasons we have assumed that 50% to 70% of void work could be delivered by directly employed staff. We do not have an expenditure split between responsive and void so have assumed 1/3rd of the combined £5.13m average annual expenditure is on voids- £1.71m. Indicative DLO turnover is therefore forecast to be £855k to £1.20m.
- (d) On the basis of the assumptions outlined above, we believe that a DLO could likely turnover between £3.42m and £4.11m of direct work on responsive and void per annum. Based on each tradesperson turning over an average of £75k per annum we believe that a reasonable initial estimate of the size of the direct team is between 46 and 55 employees.
- (e) Kitchen and Bathrooms: We have not seen the future investment requirements in detail but have based the assumption on expenditure on kitchen and bathroom replacements over the past two financial years- £1.89m. We have assumed that 70 to 80% of this work could be delivered by a DLO. Indicative DLO turnover is therefore forecast to be £1.33m to £1.52m. Based on each tradesperson turning over an average of £90k per annum we believe that a reasonable initial estimate of the size of the direct team is a further 15 and 17 employees.

- (f) So a total 60 to 72 as a high level estimate of the direct team if Kitchens and Bathroom are included.
- (g) DLO Overheads: We have assumed that overheads would be 15-20% of total expenditure. Based on £8m of turnover through the DLO this is between £1.2m and £1.6m of overheads expenditure which would suggest 20-27 staff.

5.12 **Achieving Social value through the different options**

- 5.12.1 All of the options have the ability to secure considerable social value outcomes for BHCC (see above at 4.9 in respect of local spend).
- 5.12.2 In terms of the outsourcing Options (2, 3 and 4), the Public Contracts Regulations 2015 permit the attainment of social value as a key procurement objective and therefore it can be incorporated into any procurement process run by BHCC in a meaningful and compliant manner. In order to ensure that the outsourcing options produce the required social value outcomes, BHCC will need to set out in the tender documents what its community investment strategy comprises and what particular elements of that overall strategy it is seeking to achieve through the procurement of its repairs and works contract. Any award criteria must be clearly stated, along with the relative weightings and should be able to distinguish between the different quality of bids/responses received.
- 5.12.3 The social value requirements set by BHCC should be proportionate to the value of the contract and should be clearly specified in the tender documents, and that specification should also track across into the pricing document, so that BHCC can clearly see how much it will be paying for the attainment of the social value outcomes. Consideration will also need to be made to what social value outcomes it seeks to deliver in relation to works delivered to leaseholder properties, so that disputes do not arise as to whether such additional costs are "reasonable".
- 5.12.4 Finally, the achievement of the social value outcomes agreed should be written into the contract as binding obligations, with contract management procedures put in place to monitor and ensure that such outcomes are pursued and achieved. Remedies for non- or under-achievement of social value outcomes can also be included in the contract document.

5.13 **Flexibility in works delivered**

- 5.13.1 All of the Options discussed can be structured in order to anticipate and incorporate additional works and services required by an active asset management and investment programme. If the direct delivery (Option 1) is selected, this would entail either the employment of additional staff with the alternative skills required for delivering regeneration or development work, or appointing consultants/delivery partners on an arms-length basis to assist BHCC in delivering the programme.
- 5.13.2 The outsourcing options (2, 3 and 4) would all need to anticipate the additional services and works required by a regeneration/investment programme in the original OJEU Notice and procurement documents and effectively incorporate

them into the tender process. This would mean setting out a proposed specification and pricing model in the tender documents, along with any additional contract terms.

- 5.13.3 If BHCC is minded to include the potential for regeneration/investment works in the scope of the repairs works and services contract, it will need to ensure that a balanced message is presented to the market-place: eg that the delivery of the planned, major and responsive works and repairs remains the priority from day 1, but that the BHCC is looking at the potential advantages of utilising the contract for the additional works too.

5.14 **Additional leaseholder consultation requirements for a framework agreement.**

- 5.14.1 If BHCC advertises a framework agreement via an OJEU procurement process, it would be required to consult leaseholders pursuant to a Schedule 2 procedure under the Landlord & Tenant Act 1985, as amended by the Commonhold and Leasehold Reform Act 2002 and associated regulations (together, the **Service Charges Regulations**). The 1st stage consultation notice would need to be issued and the consultation period observed before the OJEU Notice was published. BHCC would then be required to undertake a further consultation under Schedule 3 of the Service Charges Regulations in respect of any "qualifying works" being carried out, where any tenant or leaseholder is being recharged more than £250 for those works. The Schedule 3 consultation is ordinarily carried out at the point that the call-off contract is entered into.

- 5.14.2 If BHCC advertises a stand-alone term contract, the process is the same as for framework agreements. BHCC would be required to undertake a consultation under Schedule 2 of the Service Charges Regulations before the OJEU Notice was published. In the event that the term contract covered "qualifying works", a Schedule 3 consultation would be required, normally at the point that the relevant order is issued pursuant to the term contract.

6 **Disclaimer and contact details**

- 6.1 This options appraisal Report has been prepared by Trowers & Hamblins LLP and Savills (UK) Limited for Brighton and Hove City Council (**BHCC**) for the purpose of considering procurement options for the delivery of BHCC's responsive repairs services, planned maintenance and improvement programmes and large capital projects. No liability is intended or should be inferred to any third parties or for any other purpose.

- 6.2 For more information, please contact:

- Rebecca Rees, Partner at Trowers & Hamblins LLP (rrees@trowers.com; 020 7423 8021); and
- John Kiely, Director at Savills (UK) Limited (jkiely@savills.com; 020 7409 8737).

Trowers & Hamblins LLP/Savills (UK) Limited
6th July 2018

Appendix 8

	Council/ Housing Association	Visited	Contract Type	Delivery	Previous delivery method	Stock Information
1	Slough Borough Council	Y	<p><u>Responsive Repairs, Capital Programmes and Projects:</u></p> <p>Strategic Partnership (Joint venture) – covers ALL contracts (inc. M&E) and new builds.</p> <p>Stock is made up of mainly houses or low rise blocks so no ‘major projects’ on the scale we have in BHCC.</p> <p>Using SORs for first 2 years. Penalty payments written by bidder in tender process.</p> <p>Quick mobilisation, IT major risks during mobilisation. Full co-location – with integrated teams.</p> <p>Annual independent audit and satisfaction survey with partnership.</p> <p>Did not using ‘lotting’ in procurement – one contract for all services.</p> <p>Investment strategy is based on property ‘value’ – independent survey commissioned prior to procurement. Carried out full stock condition survey to look where properties fell under the ‘Slough Standard’ this informed the strategic direction of partnership and programme of works outside of responsive repairs.</p> <p>In addition to partnership there is a framework agreement that sits alongside the partnership (with other participating</p>	<p>Joint Venture</p> <p>with focus on social value</p> <p>7 (+ 3) year term</p> <p>Framework other works - 4 years</p>	15yr Partnering Contract	<p>Approx. 6,203 tenanted</p> <p>Approx. 1,091 leasehold</p> <p>Mainly low rise/ houses</p>

			councils). This can be used for specialist/ large scale works if required.			
2	Portsmouth District Council	Y	<p><u>Responsive Repairs:</u> Two outsourced contracts for repairs and empty properties (geographical split on and off island)</p> <p>SMEs awarded for both contracts</p> <p>Systems thinking approach – customer lead approach for appointments.</p> <p>Empty properties are viewed and tenancy agreed before works take place.</p> <p>No KPIs used – a suit of measures are monitored with no set targets. Annual audit planned as opposed to post inspections.</p> <p>Contracts exclude Gas, Legionella, Lifts and other M&E areas.</p> <p><u>Surveying/ Quality Assurance:</u> In house surveying and technical teams. A team for responsive repairs and a team for capital projects and programmes (also internal resource asbestos surveys and fire risk officers).</p> <p><u>Call centre:</u> Call centre directly employed by Portsmouth. Also operate from 7 area offices where tenants can book repairs face to face.</p>	<p>Outsourced</p> <p>2 main service contracts on a geographical split for repairs</p> <p>Framework for capital spend and projects</p>	10 year Open Book contracts on NEC terms and conditions	<p>Approx. 15,000 tenanted</p> <p>Approx. 2,000 Leasehold</p> <p>13 high rise blocks and 40 medium (6+) blocks</p>

		<p><u>Planned works and major projects:</u> In house project team for developing programme for planned works. Works delivered through a framework.</p> <p>Framework used for showing value for money (VfM) and is performance led on last job completed by contractor.</p> <p>Framework value is 2/3 million. There are minimal works that fall outside of this - where they do an external consult plays advisory role for procuring.</p> <p>Systems thinking, tenant led approach to works so no set 'programmes' for kitchens and bathrooms. For example tenant will report need for new kitchen/ bathroom, this is surveyed by contractor and a sample checked by council (kitchens and bathrooms delivered through main service contracts).</p> <p>Windows and doors are programmed. Blocks are surveyed by in-house surveying team and rated poor, fair, good and surveyor applies to project team for budget and works.</p> <p><u>ICT:</u> Own bespoke repairs system and in-house developer. Covers stock information, repairs and empty properties works.</p> <p>Interfaces with contractor systems not advanced.</p> <p><u>Leaseholders:</u> Use a reserve fund system for Leaseholders and aim to do as much forward planning and prediction of costs for leaseholders as possible.</p>			
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3	Tower Hamlets Homes	Y	<p><u>Responsive Repairs:</u> Currently in year 8 of partnership arrangement until 2021. Penalty clauses for missed appointments and poor performance. Price Per Property model (PPP)</p> <p>Mix of PPP and SORs for works too large or not covered by PPP. Additional quotes can be required by client. PPP covers internal works to properties client led checking for works to reduce risks for incorrect recording.</p> <p>VfM on PPP needs to be measured against the capital investment to look for decrease in responsive repairs jobs over time. However better quality homes and equipment can mean no reduction in responsive repairs works due to better care and quality of homes.</p> <p>Some elements are sub-contracted by contractor (e.g. some M&E works). Contract includes 500 property 'MOTs' per year (by contractor).</p> <p><u>Surveying/ Quality Assurance:</u> Surveyors, inspectors, repairs officers, business analyst, business process officer and contract officers are directly employed by client and collocated with contractor staff. All technical specifications all designed by in-house teams.</p> <p>Programme approach includes a stock condition survey carried out in 2018/19, followed by in-house team of surveyors to check validity and result in 5yr programme for 'better neighbourhoods' delivered through framework.</p> <p>In house surveying team and procurement expert in project</p>	<p>Outsourced</p> <p>One partnering contract for Responsive Repairs, Empty Properties and Gas</p> <p>Contract term 5yr +1+1+1+1</p> <p>Frameworks used for capital works</p> <p>Tower Hamlets is an ALMO</p>		<p>Approx. 12,000 tenanted</p> <p>Approx. 10,000 leaseholders</p> <p>50 high rise</p>
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		<p>team.</p> <p><u>Call centre:</u> In-house provision for call centre. Recharging applies to tenant for incorrect call-outs. One number used for all housing enquires. All internal works (and low level external works) are diagnosed using PPP. Works outside of this are based on SORs Out of hours (OOH) call centre is contracted out due to cost implications.</p> <p>An online repair reporting option is also available for residents and creates a job in the system.</p> <p><u>Capital works:</u> Tower Hamlets define capital spend by 'internal' and 'external' works.</p> <p>They are currently delivering 5 year decent homes programme. This is delivered using a framework of 3 contractors and consultant support for the client.</p> <p>For 'external' works using a wider approach to look at the neighbourhood as a whole 'better neighbourhoods' this approach will include external works to 38 blocks. This will be delivered using a framework for 5 years holding annual mini competitions. KPIs used for performance monitoring on framework. Contractors incentivised to perform well to avoid 'demotion'. Performance assessed by 'last job'. Frameworks do not cover M&E works (seen as specialist)</p> <p>Following decent homes the 'internal' programme works will</p>			
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			<p>also be delivered from a framework (separate to better neighbourhoods). This will be led by in-house project managers with consultant support when required, in-house surveyors and clerk of works. The in-house team will scope and lead on the internal works programme. This team will also lead on tenant liaison for this area.</p> <p><u>Leaseholders:</u> 48% of stock leasehold. Leasehold residents involved in each block spec. Process begins with 'walk about' with in-house team and leaseholders before specification complete, then a meet the contractor event held for leaseholders, a website specific for each block for leaseholders to see documentation is set up and finally a defects 'walk about' post works takes place.</p> <p>Leaseholders and tenants involved in on-going monitoring of framework.</p> <p>SORs can only be applied on major projects if the client has not scoped item of work.</p>			
4	The Royal Borough of Greenwich	Y	<p><u>Responsive repairs:</u> Directly delivered responsive repairs service (in-house). DLO can be difficult to keep productivity high with pay awards and performance issues.</p> <p>DLO delivers kitchens and bathroom programme.</p> <p>ICT infrastructure in place and tablet system used (but needs upgrading) for appointments (Northgate V6). Still use SORs to monitor DLO.</p>	<p>Directly Delivered</p> <p>DLO for responsive repairs</p> <p>DLO for kitchens and bathrooms</p>	10 year Partnership Contract	<p>Approx. 25,000 tenanted</p> <p>Approx. 4,000 leasehold</p>

		<p>Onsite workshop which can do joinery and glazing.</p> <p>ICT major risk area for DLO(have had to do bolt-ons to system).</p> <p>Tenants and Councillors in favour of in-house repairs provision. Officers also reported better risk management however some difference with corporate drivers and housing needs.</p> <p><u>Call centre:</u> Council owned call centre- procured appointments system and composite codes for diagnosing used by call handlers.</p> <p><u>Capital projects/ large programmes:</u> These works are mainly delivered through external contractors with some small works delivered through the DLO (kitchens and bathrooms).</p> <p>Other works (large scale and specialist) are delivered outside of DLO on a framework on a project by project basis.</p> <p>Greenwich are in the process of reviewing the best delivery method for these works. Focus will be on SMEs/ Mid-range contractors – to achieve social value. A 5yr capital programme (designed with support from consultants) has been developed for procurement.</p> <p><u>Surveying/ Quality Assurance:</u> An in-house team of 8 repairs surveyors, capital works surveyors, empty property surveyors and specialist damp team of 8 ppl. Inspection sample rate 10%.</p>	<p>Major projects and some programmes outside of DLO on frameworks (under review)</p>		
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			Surveyors will decide if works to go out on framework if large number of SORs are required to make up job.			
5	Adur and Worthing Council	Y	<p><u>Responsive Repairs:</u> Directly delivered in house team.</p> <p><u>Call centre:</u> In house during office hours. Out of hours (OHH) contracted out. Also online reporting option.</p> <p><u>Capital works:</u> Capital Works through a separate team that covers housing and corporate capital works.</p> <p>There is also a separate contract for kitchen and bathroom replacements (also for Gas safety).</p> <p><u>Surveying/ Quality Assurance:</u> In house surveying team.</p>	<p>Direct Delivery</p> <p>DLO for responsive repairs.</p> <p>Capital works dealt with through corporate arrangement.</p>		<p>Approx. 2600 tenants</p> <p>Approx. 500 leaseholders</p>
6	Islington Council	Y	<p><u>Responsive Repairs:</u> Tight time scale of 11 month set up time for DLO (with contingency plan in place). Set up training centre, stores and apprenticeship scheme for DLO launch.</p> <p>Cost to set up DLO approx. 4 million (some government funding for help with apprenticeships and adding social value). Important to review data regularly – tend data and financials for DLO.</p> <p>Supply chain materials costs have increased. TPC contract for supply chain. Difficult to secure prices after 1 year. But can negotiate fix process. Islington have own on-site joinery.</p>	<p>Direct Delivery</p> <p>DLO for responsive repairs and kitchens and bathrooms</p> <p>85% of works delivered in-house</p> <p>Multiple</p>	<p>10yr TPC (break clause at year 4)</p> <p>Joint venture 10 year (ended 2009)</p>	<p>Approx. 23,000 units</p> <p>Approx. 9,300 leasehold</p>

		<p>Independent survey has shown a significant increase in customer satisfaction moving to DLO. From 45% in 2009 – 90% currently.</p> <p>A project team of 4 managers supported to set up DLO.</p> <p>Cultural shift and early planning are essential for successful delivery of DLO. Incentives for operatives, cultural change, changes in behaviour and working conditions important to address.</p> <p><u>Call centre:</u> Tenants have a series of options on telephone. The in house call centre operates Mon-Fri 8-8 and Saturday 8-12. And appointments can be made by schedulers direct to the tablet device of operative. 37 staff in call centre.</p> <p>OHH services to separate council call centre.</p> <p><u>Surveying/ Quality Assurance:</u> In house team approx. 17.</p> <p><u>Leaseholders:</u> Dedicated leasehold repairs officers.</p> <p><u>Planned programmes and major projects:</u></p> <p>Kitchens and bathrooms delivered in-house by DLO. Other programmes delivered either through 'tri-borough' arrangement.</p>	<p>arrangements for projects and specialist works</p>		
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			<p>TPC contract also in place for programmes, this can be used for some projects and M&E works.</p> <p>Specialist projects tendered out in lots. Secondary contracts can be difficult to manage due to size of works and smaller contractors – can result in procuring lots of small subcontractor arrangements.</p>			
7	Wealden District Council	Y	<p><u>Responsive repairs:</u> Partnering contracts (3+2 years) using Price Per Property (PPP) and Price Per Void (PPV) for responsive repairs and empty properties.</p> <p>Electrical works contracted locally using Price PER Ticket (PPT).</p> <p>In total 17 service contracts managed by a team of 4. Mainly SMEs delivering these works including gas, fire safety etc.</p> <p><u>Call centre:</u> Contracted out for evenings and weekends. Tenants call one number and have 4 options depending on repair. Some are dealt with by directly by council others direct immediately to contractor.</p> <p><u>Capital works:</u> Have had consultants to support programming but these were developed directly with contractors once contract in place. Kitchens and bathrooms small programme – national contractor Separate corporate ‘buildings contact’ for works up to 25k in addition to service contacts can be used if required.</p>	<p>Outsourced</p> <p>Multiple small local partnering contracts in place</p>	<p>Moved from a previously directly delivered service to outsourced contracts</p>	<p>Approx. 3,000 Tenanted properties</p> <p>Approx. 201 leaseholders (WDC also have Sheltered leaseholders)</p>

8	Sheffield City Council	N	<p><u>Responsive repairs:</u> Sheffield let a 3 year contract to prepare the service for in-house delivery. Staff from main contractor TUPE'd across to DLO.</p> <p>3yr contact set with a longer term objective to be ready to insource service delivery of responsive repairs when a realistic and viable option. Preparation for insourcing in this time involved:</p> <ul style="list-style-type: none"> • Localising staff to housing areas • Investing in technology for a better frontline service (tablets) • Delivering a cultural transformation programme • Expansion of handyperson service • Better joint working with contractor <p><u>Capital works/ programmes:</u> Sheffield acknowledges that not all services can be delivered through the DLO. These will be procured separately depending on type/ volume of works. For example works that are specialist or more financially viable in scale or scale.</p>	<p>Direct Delivery</p> <p>With 'interim' contract to prepare service for changes</p> <p>DLO for responsive repairs and empty properties</p> <p>With outsourced element for specialist works</p>	<p>10 year 'limited liability partnership' with 2004 – 2014</p> <p>Interim service contract 2014 – 2017 (+2) – with longer term objective to insource delivery.</p>	40,195 council owned stock
9	Preston City Council	N	<p>The "Preston Model" is a term applied to how the council, its anchor institutions and other partners are implementing the principles of Community Wealth Building within Preston and the wider Lancashire area.</p> <p>Community wealth building offers an opportunity for local people to take back control, to ensure that the benefits of local growth are invested in their local areas, are used to support investment in productive economic activities and that people and their local institutions can work together on</p>	<p>N/A</p> <p>Preston city council have no housing stock</p>	N/A	N/A

			an agenda of shared benefit. Following a stock transfer in November 2005, Preston City Council no longer has council housing to rent.			
10	Harlow District Council	N	Visiting September 2018 for case study			

Glossary:

*Partnering contract – an arrangement between two organisations that work together in the pursuit of common or mutually beneficial goals and objectives.

*PPP – Price Per Property ('average' rate applied annually for repair works carried out to properties in stock profile)

*PPV – Price Per Void ('average' rate applied annually for works carried out on empty properties in a stock profile)

*SOR – Schedule of Rates (national code system for pricing works)

* VfM – Value for money

*M&E – Mechanical and electrical works (e.g. gas servicing, legionella, lifts, call warden systems, aerials etc).

*DLO - Direct Labour Organisation

Brighton & Hove City Council

Creating an In-House Responsive Repairs and Empty Properties Service (IHS)

September 2018

Prepared For:



Brighton & Hove City Council
Hove Town Hall
Norton Road
BN3 3BQ

Prepared By:



Savills (UK) Limited
33 Margaret Street
London
W1G 0JD



Brighton & Hove City Council
Creating an In-House Responsive Repairs and Empty Properties
Service (IHS)

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1.0 INTRODUCTION

1.1 Savills was instructed by Brighton & Hove City Council (BHCC) to assist in the development of financial modelling and procurement strategy advice in respect of the future re-procurement of the repairs, maintenance and capital programmes.

1.2 The scope of services is in accordance with the BHCC Financial Modelling Specification and Savills proposal dated 26th July 2018 and the scope of this report focuses on the IHS option as summarised below:

What could an In-House Responsive Repairs and Empty Properties Service (IHS) look like in Brighton?

This requirement is to focus on the possible establishment of a IHS in Brighton to focus on delivering the repairs function (responsive repairs and empty property refurbishment). The work is to focus on time, cost and resource requirements and expand on the risks, opportunities and current gaps in the service to deliver a fully functioning in house contracting service.

1.3 This work builds upon the previous Options Report prepared jointly by Trowers & Hamlins / Savills dated 19th April 2018 together with the Supplemental Report dated 30th May 2018.

1.4 In preparing this report, we have had the opportunity to review information provided by BHCC as well as meeting BHCC finance, assets and procurement staff on Tuesday 14th August followed by an extensive series of meetings with Mears and other BHCC staff on Tuesday 21st August and numerous subsequent conference calls.

1.5 We have taken the information provided, both written and verbal, at face value and have stated within the report the various assumptions and caveats that apply.

1.6 Whilst this report has considered the information provided in some detail, it is not a substitute for the preparation of a fully costed IHS business plan and requires full development of an Operating Model for a IHS which would form the next phase in BHCC's journey towards establishing a new repairs and maintenance delivery platform. The costs identified in this report are for budget purposes only.

2.0 DATA AND ASSUMPTIONS

2.1 Responsive Repairs Volume

2.1.1 Table 1 below provides the headline responsive repair statistics delivered during the 2017/18 financial year. This is the most recent complete financial year.

2.1.2 Note: Analysis of figures provided by Mears indicates that the variance in value over the last 3 financial years is a decrease in value of less than 0.9%. Therefore, for the purposes of this exercise the figure of £3,304,234 (excluding Overheads, Profit, and Management Fee) has been assumed as a baseline for forecasting the potential repairs value for the IHS (excluding Overheads) if it commences operations in April 2020.

Table 1 – Key Responsive Repair statistics

Value of Responsive Repairs (excluding Overheads, Profit & Management Fee)	£3,304,234
Total number of Responsive Repairs in the year	39,199
Number (and percentage in brackets) of repairs issued as Emergencies	11,777 (30%)
Number (and percentage in brackets) of repairs issued as Routine Repairs for completion within 20 days	26,866 (69%)
Number (and percentage in brackets) of repairs issued as Complex Repairs	556 (1%)

2.2 Anticipated Productivity from a IHS Workforce

2.2.1 We have suggested Operative productivity in the region of 3.3 to 3.7 repairs per day. The repairs per Operative per day metric is impacted by a number of factors including the approach to first time completion and the extent to which more major repairs are included. We have suggested this range considering the level that we believe it is likely that Mears are currently achieving and our current knowledge of the type of work and focus on first time completion. Using existing repairs volume of circa 39,000 repairs per annum, with a target for the direct delivery of these amounting to 80% of all repairs we can determine the number of Operatives required to deliver the Responsive Repairs service in a IHS. We understand from Mears that they currently

subcontract 23% of the value of the Responsive Repairs, however, it is not possible to reconcile this to the number of repairs that this represents. For the purposes of this calculation we will assume that BHCC will invest greater time in the training and development of Operatives, along with Team briefings and other consultation, and potentially improved annual leave entitlement, and therefore the number of productive days is likely to reduce slightly. For the purposes of this evaluation, the number of productive days is set at 216. The table below shows the number of Operatives required:

Table 2 – Required productivity level for IHS to deliver Responsive Repairs service

Number of Repairs (assuming 80% direct delivery, 20% subcontracted)	Number of repairs per day	Number of days per Operative	Number of Operatives required
31,200	3.3	216	44
31,200	3.7	216	39

2.3 Empty Homes Service Delivery

2.3.1 The approach taken to setting a budget for the delivery of the Empty Homes service is fundamentally different to that for responsive repairs for the following reasons:

- Uninterrupted productivity is significantly higher due to the opportunity to work in single properties for days at a time.
- A target for Operative productivity is therefore used as a driver and benchmark for determining resource levels. Whilst this can vary significantly across the sector the productivity level selected for this analysis is in the range of £65k per Operative per annum to £75k per Operative per annum (nett of Overheads and Profit).
- The number of empty properties, and their condition, will vary considerably at points throughout the year. Therefore a higher proportion of works will be subcontracted to take account of specialist works, such as asbestos removal, rubbish removal, environmental cleans, external works, and to assist with peaks in demand in order to ensure average turnaround times are not unduly affected by volume of work.

2.3.2 An assumption has been made that 50% of the works will be delivered using directly employed Operatives. This is significantly higher than the volume of works directly delivered by Mears' Operatives, which is currently 16%, however, it is a realistic and achievable target.

2.3.3 Through the use of these metrics we are able to set a target figure for Operatives to be deployed on the Voids service as set out in the table below:

Table 3 – Number of Operatives estimated for delivery of Empty Homes service

Annual value of Voids	Value directly delivered (50%)	Value delivered per Operative per annum	Number of Operatives required
£1,801,394	£900,697	£65,000	14
£1,801,394	£900,697	£75,000	12

Note: The figure for Empty Homes expenditure mirrors the current arrangement with Mears that includes Seaside Homes and Temporary Accommodation within its scope.

2.4 Potential Impact of Operative Resource Restructuring

2.4.1 From the data provided and assessed there appears to be a resource requirement of between 51 and 58 directly employed Operatives. This represents a potential decrease over Mears' existing establishment of between 2 and 9 Operatives. It should be noted that there is some uncertainty over current resource levels- this is noted further later in this report. Further clarification is required.

- 2.4.2 An increase in the number of directly employed personnel does not imply that there will not be potential implications with TUPE transferring Operatives. Due to the reduced flexibility to utilise Operatives across a wider range of work streams it may be necessary to re-model the workforce to provide added flexibility. For example, there may be a need to increase the number of multi-skilled Operatives. Where this cannot be achieved through re-training TUPE transferring personnel, redundancies may be required.
- 2.4.3 Professional, Technical and Administrative staff transferring under TUPE may also not fit the new IHS model and staff numbers or roles may also need to be re-aligned, with the potential to generate redundancies.

3.0 BUDGET BUILD UP

3.1 Labour

3.1.1 Whilst it is acknowledged that TUPE will apply to any alternative service option chosen by BHCC at the end of the current contract arrangements it should be noted that TUPE information has not been made available to Savills during this evaluation. Therefore all figures relating to labour costs, salaries, or any other aspects of remuneration or employment benefits are estimates based on similar roles in the current market and may vary significantly from salaries or employment packages awarded to Mears' employees who may be subject to TUPE. Mears employ additional direct resource to deliver the concessionary gardening and decoration schemes and some capital works. These employees are not included in this analysis and it has been assumed that these staff will transfer to the provider that delivers these services beyond the current agreement.

3.1.2 BHCC may choose to align the employment terms and conditions of transferring staff with those of current BHCC employees. It is not possible to quantify the impact that this may have on the IHS financial model at this time.

3.1.3 The Labour Cost for delivering the Responsive Repairs and Empty Homes services is indicated in the table below:

Table 4 – Estimated Labour Cost

Number of Operatives	Average salary	Total cost
51	£36,875*	£1,881,000
58	£36,875*	£2,139,000

*Note: Salary comprises £29,500 basic salary plus 25% addition to cover NI and BHCC Pension contribution as advised by BHCC. These on costs are likely to be higher than those currently incurred by Mears.

3.2 Apprentices

3.2.1 We note that Mears currently employs 26 trade apprentices and 6 administrative apprentices across the Responsive Repairs and Empty Homes services. This poses significant challenges for a IHS to deliver this level of apprenticeships sustainably. Factors that must be considered when assessing the future of the apprenticeship scheme are:

- The impact on the productivity of Operatives as they endeavour to train, mentor, and ensure the safety, health, and welfare of apprentices in their care.
- It is notoriously difficult to fulfil the practical requirements of apprenticeships through responsive repairs and empty homes work due to a lack of variety of work, and the exclusion of specific tasks that must be completed by apprentices to satisfy the practical requirements. Currently, Mears overcomes this by seconding apprentices to other workstreams on the Planned and Major Works programmes to enable them to fulfil their practical requirements. This facility will not be available to BHCC.

3.2.2 Given the foregoing, we believe the best way for BHCC to continue with the apprentice programme will be by establishing a BHCC Training Agency to manage the process and supervise the training regime. The Agency would effectively employ the apprentices and deploy them not just across the IHS but to all the main contractors working on the capital programmes thus maximising opportunities for apprentices to receive the comprehensive level of training required to obtain qualifications. This will require that the capital works procurement process sets this out in detail so that it becomes a contractual obligation. The Agency would seek to bring in grant funding/levies etc to help defray cost and also monitor each individual's training.

3.2.3 We estimate the cost of managing the Agency (one senior and one admin person) could be circa £75 – £85,000pa and that the total cost of the Agency, including the 32 apprentices, would be in the region of £500,000 per year.

3.3 Subcontractor Costs

- 3.3.1 A robust supply chain is crucial to support any effective and efficient IHS model. It is needed to provide the specialist support that a IHS cannot reasonably be expected to directly employ; such as asbestos removal, the provision of specialist access equipment, environmental cleaning services and such like. A supply chain is also required to support a IHS with the management of peaks in demand, to ensure service provision is not adversely affected, and to provide the Client with risk mitigation should issues arise with the performance or capabilities of its IHS in the future. The supply chain is responsible for the provision of labour, materials, plant and preliminary costs within its charges to the IHS and therefore the costs identified within this section can be deemed to be inclusive of these.
- 3.3.2 Without the granular detail to facilitate an in-depth analysis of the potential spend on subcontractors the approach taken is to assume like-for-like work types, and average job values, but adjusted to take account of the fact that these subcontractors will be engaged through a new procurement exercise.
- 3.3.3 For Empty Homes the value and volume of subcontractor works will be reduced in order to optimise the benefits for the IHS. This means a reduction in subcontractor value from 74% to 50% (see Table 3 above).
- 3.3.4 The current supply chain was procured by Mears. In considering likely future costs care should be taken to appreciate the relationship that Mears has with supply chain members in terms of the volumes of work issued through multiple workstreams on the BHCC contract, through other contracts with Mears, and in terms of the length of commercial relationship they may have mutually benefitted from over a number of years.
- 3.3.5 The establishment of a IHS will break this chain and the procurement of a new supply chain will potentially increase costs. The reasoning underpinning this is:

- Volumes of work will be reduced.
- There is no opportunity for subcontractors to cross-sell across other workstreams such as planned or major works.
- There are no pre-existing commercial arrangements through which mutual trust would historically have been forged. The supply chain will assess its own appetite for risk, however, it is likely to generate cost increases.
- BHCC Financial Regulations and Standing Orders may require greater administrative resources for supply chain members with respect to becoming an approved supplier, and also to process works orders and invoices.
- Payment terms *may* be less favourable than existing suppliers enjoy through Mears.

3.3.6 Taking the foregoing into consideration a cost increase allowance of 15% has been made to anticipated subcontractor expenditure. The anticipated subcontractor expenditure is outlined in the table below:

Table 5 – Estimated Subcontractor Expenditure

Workstream	Percentage of work subcontracted	Adjusted subcontractor expenditure
Responsive Repairs	20%	£760,000
Empty Homes	50%	£1,040,000

3.3.7 In the assessment of subcontractor costs no allowance has been made for the potential impact of TUPE. It quite possible, given the current level of subcontractor spend on Empty Property refurbishments that TUPE may apply to some subcontractor personnel. If this turns out to be the case this may increase the level of direct labour employed on this workstream, or it may lead to additional costs due to redundancies that could arise.

3.4 Materials

3.4.1 As with subcontractor procurement, a new materials supply framework will need to be procured. When assessing the potential impact on material costs the following factors should be borne in mind:

- The materials supply framework will be a new procurement to BHCC and therefore subject to market conditions at the time of the procurement.
- The purchasing power of the IHS will be significantly less than that of Mears which has national agreements with suppliers and is therefore likely to be able to procure materials at a lower cost than the IHS.
- The volume of materials procured will be less than the volume that Mears procures over a broader range of workstreams and is therefore likely to be more expensive.

3.4.2 Taking the foregoing into account an increase in cost of 12% has been allowed for in estimated materials expenditure.

3.4.3 The estimated expenditure on materials for Responsive Repairs and Empty Homes is set out in the table below:

Table 6 – Estimated Materials Expenditure

Workstream	Estimated annual expenditure
Responsive Repairs	£860,000
Empty Homes	£565,000

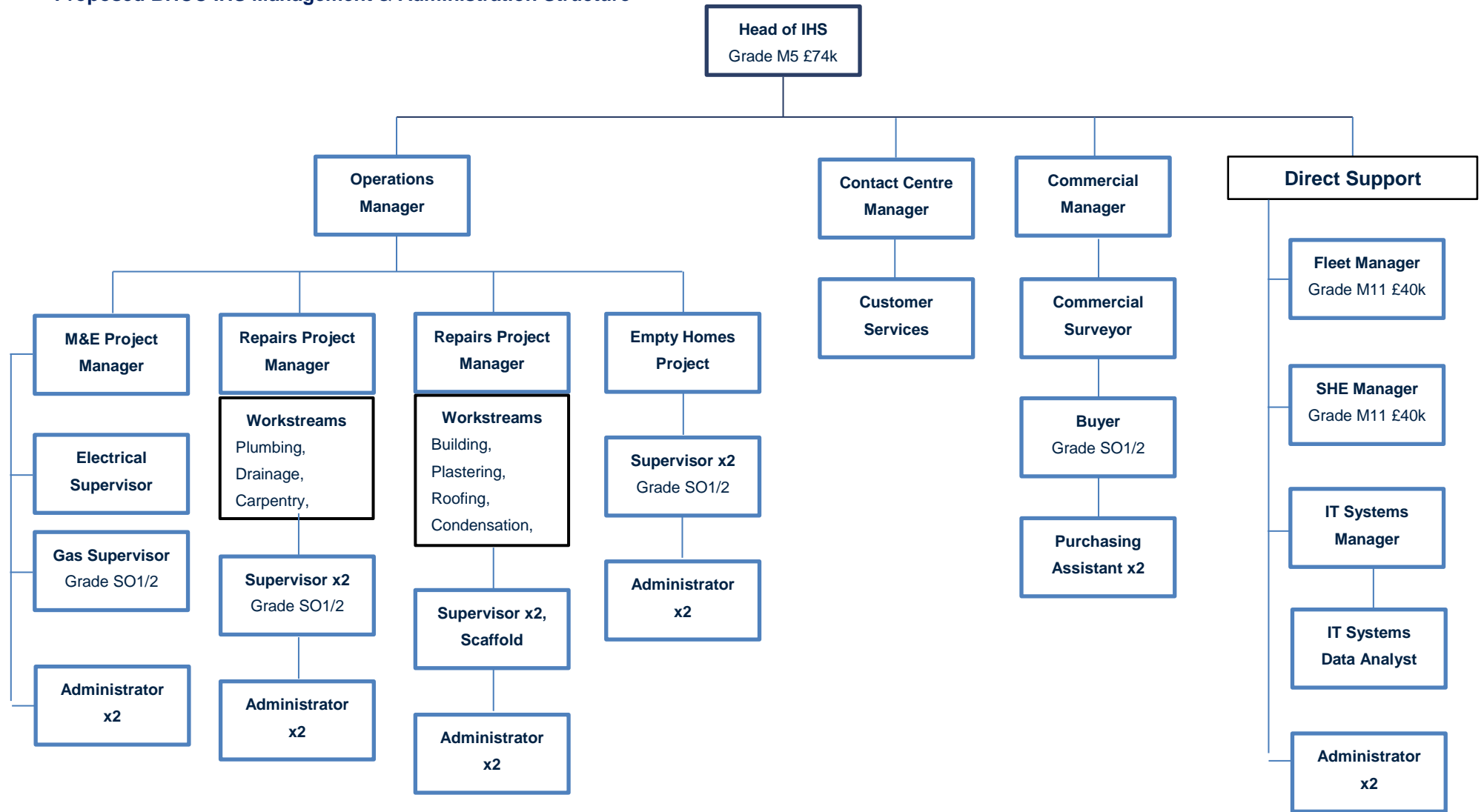
3.5 Management Team and Preliminary Costs

3.5.1 In creating the Management Team structure, and formulating a cost base for the Management Team, and associated Supervisory Preliminary costs the following has been taken into account:

- TUPE will apply and therefore the personnel currently undertaking supervision and management will transfer on Day 1 of the operation of the IHS. The structure therefore reflects a like-for-like transition.
- Mears staff salaries and benefits were not available at the time that this report was produced therefore, in order to benchmark against current BHCC salary grades, estimates have been made that align this structure with BHCC's salaries where like-for-like role comparisons present themselves. It should be noted that salary levels and benefits enjoyed by Mears personnel may vary significantly from this model.

3.5.2 The Structure Chart is set out on the following page. It should be noted that the supervisory staff are responsible for direct supervision and management of the tradesmen and are not a substitute for the BHCC Client side quality control resource. Typically we expect up to 10% post inspections of all repairs and these would be carried out by up to 2 staff contained within the Client structure. We understand these staff could TUPE transfer from Mears.

Proposed BHCC IHS Management & Administration Structure



3.5.3 The following table identifies salaries and numbers of posts within the Management and Administrative support structure:

Table 7 – Estimated Annual Management Salary Costs

Role	Number of Posts	Annual cost
Head of IHS	1	£74,000
Operations Manager	1	£55,000
Mechanical & Electrical Project Manager	1	£40,000
Repairs Project Manager	2	£80,000
Empty Homes Project Manager	1	£40,000
Contact Centre Manager	1	£40,000
Commercial Manager	1	£55,000
Fleet Manager	1	£40,000
Safety, Health & Environment Manager	1	£40,000
IT Systems Manager	1	£40,000
Electrical Supervisor	1	£33,000
Gas Supervisor	1	£33,000
Repairs Supervisors	6	£198,000
Scaffold Inspector	1	£33,000
Commercial Surveyor	1	£40,000
Buyer	1	£33,000
Administrators	10	£240,000
Customer Services Officers	8	£192,000
Purchasing Assistants	2	£48,000
IT Systems Data Analyst	1	£26,000
Total Staff Numbers	43	
Total Salary Cost		£1,380,000

3.6 Service Delivery Preliminary Costs

3.6.1 The service delivery Preliminary costs are those costs and overheads associated directly with service delivery and are not central office overheads. For the purposes of this evaluation we have taken depot and office premises at zero net cost to the IHS on the basis that the premises are currently shared with housing and no charge is made to Mears for their use. In this instance this zero cost also includes other property related charges including:

- Rates
- Electricity

-
- Gas

 - Water

 - Drainage

 - Maintenance of the depot

 - Insurance

 - Use of canteen and refreshments

3.6.2 The table below identifies the headline costs of key Preliminary items on an annual basis:

Table 8 – Service Delivery Preliminary Costs

Preliminary item	IHS with 51 Operatives – Annual cost	IHS with 58 Operatives – Annual cost
Vehicle Lease charges	£270,000.00	£302,000.00
Vehicle Insurance	£36,000.00	£40,000.00
Fuel	£72,000.00	£80,000.00
Vehicle Repairs (not covered by Lease)	£15,000.00	£17,000.00
Vehicle Tracking	£9,000.00	£10,000.00
Plant purchase hire & repairs	£10,000.00	£10,000.00
Skip Hire & Waste Management	£60,000.00	£60,000.00
Tool purchase hire & repairs	£13,000.00	£15,000.00
Uniforms & Protective Clothing	£18,000.00	£20,000.00
NICIEC, Gas Safe – obtaining and retaining accreditation	£4,000.00	£4,000.00
Staff Training costs	£30,000.00	£34,000.00
Handheld PDAs and Tablet computers	£40,000.00	£44,000.00
Mobile Telephone rental charges	£22,000.00	£24,000.00
Professional Fees	£18,000.00	£18,000.00
Total annual Preliminary charge costs	£617,000	£678,000

3.7 Out-of-hours Service Cover

3.7.1 Currently the Out-of-hours repairs service is provided by Mears using one of their regional 24 hour Contact Centres. With the transition to a IHS this service provision will end. BHCC therefore has 2 options available to it:

- Set up its own out-of-hours contact centre, or;
- Engage an independent service provider to provide the out-of-hours contact centre service

3.7.2 Given the complexity involved in creating an in-house service to provide out-of-hours cover an allowance has been made within the budget for provision of this service by an external organisation.

3.7.3 The estimated cost of this service will be in the region of £20,000 based on up to 350 calls per month.

3.8 Acquisition of New Maintenance Management Software

3.8.1 It is noted that BHCC will go 'live' with a new Housing Management IT system in April 2020. In order to operate successfully from April 2020 a new IHS will require a new IT system. Mears utilises its own MCM system which is not commercially available to other organisations therefore continuity in the use of this system is unlikely to be an option.

3.8.2 BHCC will therefore need to procure its own software system, and associated hardware, to enable it to operate. There are a number of key considerations which will impact upon decisions to be taken, and the implementation of a new system. Principal amongst these will be:

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- Any new system will have to operate as a standalone system. There will be no integration with the Housing Management system from Day 1. This does not have any immediate implications for the IHS because it will be able to raise, manage, and complete repairs using its new system, and through the dedicated Contact Centre whose staff will TUPE transfer from Mears. However, it may have implications for BHCC's Finance Team in terms of accessing and processing data for payments. It may also have implications for BHCC's central IT Team in terms of being able to support the system.
 - A separate procurement of the new IT system will be required. BHCC's IT Team will be focused on the implementation of the new Housing Management system therefore a third party Project Manager will have to be engaged to manage the implementation of the new Maintenance Management system.
 - Without Mears support to allow transferring staff to receive training prior to the end of the existing contract arrangements it will not be possible to go 'live' with the new maintenance system from Day 1, unless additional resources are engaged and trained to use the new system prior to the IHS commencing operations. This succession management workforce will provide cover whilst transferring personnel receive training. It will lead to increased costs in the first month of operation until all personnel are using the new system correctly, and the inevitable teething problems have been resolved.
 - Consideration will need to be given to the plan to integrate the new Maintenance Management system with the new Housing Management system.

3.8.3 Additionally, within the IT procurement an allowance must be made for the acquisition of new Contact Centre hardware including a call handling system and telephony hardware. A budget estimate has been made within the project-specific IT costs but again this reflects basic stand-alone functionality.

3.8.4 The table below outlines estimated budget costs associated with the procurement and implementation of a new Maintenance Management IT system, and annual license and maintenance costs (based on a recent similar procurement exercise):

Table 9 – Project Specific IT System Costs

Project element	Procurement cost	Annual cost
Procurement of bids	£25,000	
Implementation Project Manager for 12 months	£120,000	
Implementation cost of new system	£75,000	
New IT system hardware	£66,000	
Integration with new Housing Management system	£30,000	
Annual licences and support costs (PDA and Tablet costs are accounted for within Preliminary costs – see Table 8)		£40,000
Telephony hardware and CRM software		£14,000
Total IT implementation costs	£316,000	£54,000

3.8.5 The costs in Tables 7 and 9 above assume that the Council will establish a standalone contact centre managed by the staff transferring from Mears. However, we understand that the BHCC Contact Centre together with the new housing management ICT system could potentially offer a combined solution. If the system contains a repairs diagnostic facility and is staffed by experienced repairs calls handlers then there would be a potential annual saving against staff costs in table 7 and telephony costs in table 9 that could be circa £246,000, ignoring any up-front TUPE implications.

3.9 Central Office Overhead Contributions

3.9.1 It is understood that the creation of a IHS will require a contribution to BHCC's central office overheads. We understand that the cost centres from which a charge to the IHS will arise are:

- Property
- ICT

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- Finance
 - HR
 - Legal
 - Corporate & Democratic Services
 - Communications

3.9.2 The decision as to what level of charge might be applied to the IHS is a decision solely for BHCC. It is our understanding that the total charge for these services is approximately £1.9m. It might make sense to apportion these costs on the basis of headcount within the IHS as a proportion of the headcount of all of the departments to which these charges apply. Without an understanding of how this might breakdown, for the purposes of producing a budget an agreed assumption with BHCC has been made that the IHS's equivalent contribution would be in the region of 20% of these costs. This would equate to approximately £380,000pa.

4.0 IHS BUDGET ESTIMATE

- 4.1 In pulling together this budget estimate a wide range of assumptions have been made, and data upon which particular key assessments of cost have been made lack granularity and clarity to ensure that they are accurate. All sums indicated must therefore be considered provisional only.
- 4.2 In addition to the costs referenced above we have added provisional expenditure for external support. This includes the procurement of the new supply chain, specialist advice (tax, legal, HR) associated with establishing the IHS, and consultancy support to assist in the mobilisation.
- 4.3 We have added a contingency of c.5% on the initial investment costs and 3% on the annual operating costs.
- 4.4 We have also included a provisional sum to highlight the risks associated with the TUPE exercise/recruitment. This should be treated with caution at this stage as it is impossible to predict with accuracy without further information. In addition there is some uncertainty and conflicting information around the number of trades operatives employed on the contract with some data indicating that the contract is currently over-resourced. This is covered further in the risk section below.
- 4.5 The table below identifies the key cost contributors in the formation of a IHS, and estimates for the cost of running the IHS to provide Responsive Repairs and Empty Homes works only, based on today's costs:

Key element of cost	Source within document	One-off or Year 1 cost only	Annual cost (51 Operative IHS)	Annual cost (58 Operative IHS)
Labour	Table 4		£1,881,000	£2,139,000
Sub-contractor costs	Table 5		£1,800,000	£1,800,000
Materials	Table 6		£1,425,000	£1,425,000
Salary and Management Preliminary costs	Table 7		£1,380,000	£1,380,000
Service delivery Preliminary costs	Table 8		£617,000	£678,000
Out-of-hours Contact Centre provision	Section 2.7		£20,000	£20,000
Project specific IT costs	Table 9	£316,000	£54,000	£54,000
Central Office Overhead contribution	Section 2.9		£380,000	£380,000
Procurement and Legal Fees		£100,000		
Consultancy support to assist in mobilising and implementing new service		£150,000		
Contingency		£30,000	£227,000	£236,000
Potential TUPE Risk allowance		£200,000		
Total		£796,000	£7,784,000	£8,112,000
Adjusted Total excluding call centre	Para 3.8.5		£7,538,000	£7,866,000
Apprentice Programme	Para 3.2.3		£500,000	£500,000

4.6 We have also calculated an equivalent annual budget should BHCC outsource the repairs and empty property service under a single tender and estimate that at current costs this would likely be between £7.1 – 7.35m. This estimate is based on assumptions around average annual job and void numbers, average job costs and turnover void specification excluding any capital work.

5.0 RISK AND OPPORTUNITY

5.1 Establishing a IHS in Brighton offers a number of opportunities but also carries a fair degree of risk. We have summarised these below starting with the current key risks relating to the establishment of a IHS, allocated against either up-front mobilisation risks or longer term operational risks as follows:

5.2 Mobilisation Risks

5.2.1 **Skills** - BHCC will need to build the skills necessary to effectively run the IHS. Whilst we have assumed that these are transferred from Mears via TUPE this may not be the case. Indeed it is possible that the best staff do not transfer and this could result in a need to recruit the necessary skills. There will need to be a contingency plan in the event that this risk materialises. Whilst the contingent sums in the above budget may cover the cost of recruiting the skills consideration will also need to be given as to how this would be achieved in a timely manner.

5.2.2 **TUPE** – There is uncertainty and some conflicting information as to the level of resource employed on the current contract. This creates a risk that additional staff may transfer and restructuring would be required to achieve the levels of productivity outlined above. This will carry additional cost and the provisional sum outlined above may not cover this.

5.2.3 **Terms and Conditions**- We have no information on current terms and conditions including salaries or benefits. In addition, a decision on the benefits BHCC would offer incoming staff has not yet been made. Pensions benefits and sick pay in particular are likely to vary considerably from those currently received by Mears staff. This creates a risk of incurring additional cost not captured in the budget or covered by contingent or provisional sums. If staff do not transfer and recruitment is required BHCC will need to ensure that remuneration is sufficient to attract the appropriate calibre of staff. Whilst roles have been provisionally aligned to salary bands, market salaries may vary from this and this may have a cost impact.

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- 5.2.4 **Specialist advice** - There are considerable legal, HR, tax and accounting considerations as highlighted in earlier reports. It is essential that appropriate advice is taken to ensure that arrangements are appropriately structured. We have included a provisional sum based on a typical set up but would highlight the risk of additional expenditure if there are particular complexities.
- 5.2.5 **Timing**- Whilst April 2020 may seem some way off some of the effective mobilisation of a IHS typical takes 15-18 months. A contingency plan is need to manage the risk of not mobilising in time for the end of the Mears contract. We have included for the cost of a specialist external resource to help mitigate this risk. This is probably the greatest risk in terms of service delivery.
- 5.2.6 **ICT**- BHCC currently has no ICT functionality to support operating a IHS or the associated contact centre function. The budget outlined above makes assumptions around the type of ICT that would be required and assumes a basic stand-alone system. The timing also represents a considerable risk given the timing of the implementation of the new Housing Management System (also go live April 2020) and the lack of ICT resource available. Whilst we have suggested some mitigation in the form of an external resource this risk needs further consideration including where this sits against other ICT priorities.

5.3 Operational Risks

- 5.3.1 **Cost variance** – The current agreement insulates BHCC from certain cost increases as the prices are linked to CPI. Under the IHS model there would be greater exposure to labour cost inflation and, subject to the terms of supply chain relationships, subcontractor and material cost inflation.
- 5.3.2 **Productivity** - It will be incumbent on BHCC to manage productivity in the IHS and this may be impacted by management skill/systems and/or terms and conditions.

5.3.3 **Supply Chain** – As highlighted above it is unlikely that BHCC would be able to extract similar value from the supply chain to Mears. Whilst an allowance has been made for an increase in supply chain costs, the supply chain will need to be carefully procured and managed to get value for money. Any procurement must be structured to comply with the appropriate regulations.

5.3.4 **Leasehold**- Compliance with the appropriate regulations to ensure that BHCC meets its obligations and can recover cost.

5.3.5 **Service** - Any change in service provider creates a risk to service delivery through the demobilisation and mobilisation phases. Anecdotally there appears to be a feeling that Mears are doing a good job on the delivery of R&M works and customers are generally satisfied. Maintaining the service level presents a risk.

5.4 Opportunities

5.4.1 There are a lot of opportunities and benefits that can flow from having a local IHS and we have summarised the key opportunities as follows:

5.4.2 **Service/Culture** - Having directly employed staff who feel part of the organisation can offer service benefits. The operatives are the front line ‘face’ of the Council and can greatly reflect the image the Council wishes to present if well managed. Typically, the often given impression is that tenants feel they can trust the Council more than external contractors.

5.4.3 **Productivity** - Whilst there is risk around productivity there is also opportunity. Although the productivity levels outlined are reasonable at this stage there may be opportunity for improvement. Whilst this may unlikely in the period immediately following mobilisation, we do see well run and forward thinking IHSs realise additional efficiencies over time. This would have considerable benefits in respect of lower average job costs and importantly, increased customer satisfaction as jobs are completed more quickly.

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- 5.4.4 **Management Cost** – There may be some scope to consider the level of management costs and supervision ratios. Whilst changes here would not be advised immediately there may be future opportunity assuming risk and quality can be appropriately managed.
- 5.4.5 **Expansion** – Only responsive repairs and empty homes work has currently been considered. There is, subject to a robust business case, potential to expand to other areas. This may leverage fixed overheads. Subject to their ability to match private sector costs, we typically see IHS's moving into small capital work programmes, especially kitchen and bathroom replacements which are a natural extension of work to empty properties.
- 5.4.6 **Contractor Default Insolvency-** The risks associated with contractor default/insolvency are reduced.
- 5.4.7 **Costs** – if well managed, the IHS will have greater control and full transparency of all costs which will enable proper cost reporting and management decision taking if costs of some service areas vary from budget.
- 5.4.8 **Profit** – although a IHS should be structured to make a return to the Council, the level of return is entirely at the Councils discretion compared to an external contract which will always have the tendered profit margin and overhead contribution.
- 5.4.9 **Flexibility** – A IHS model can be adapted and flexed to suit the needs of BHCC as they change and develop. This is less easy to achieve through a traditional contractual model because of the key financial risks it carries, and additional charges that may be levied by a contractor against the Council.
- 5.4.10 **Improved Long Term Employment for Local People** – Because a IHS is not time limited in the same way as a contract it provides BHCC with the opportunity to offer long term employment stability to local people. Whereas TUPE is likely to apply to a new service provider when

contracts come to an end, the experience is both unsettling to TUPE transferring employees, and can lead to worsening conditions of employment in the long term.

5.4.11 **Sub Contractors** – BHCC will have clear oversight and hence greater control of the sub-contractors engaged by the IHS to deliver any additional/specialist services.

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

Tenants workshop 1 – 25th July 2018

What should we stop doing?

1. Repeat trips - Job not done the first time, communication to operatives about job description
2. Using complicated words and acronyms - speak clearly
3. Being late and inform residents
4. Report of repairs only by telephone
5. Thinking everything is ok without checking
6. Relying on contractor checks
7. Relying on sub-contractors
8. Fobbing us off, saying one thing and not doing it or doing another
9. Being late or not turning up
10. Turning up and then disappearing
11. Lack of communication
12. Being disorganised, e.g without the right materials
13. Time wasting
14. Frustrating tenants
15. Us chasing up, wasting time
16. Telling us it's in the tenancy – there could be disabilities
17. Being inconsiderate about parking (drop down kerbs)

What would it be great to start doing?

1. Property MOT's
2. Communication and training – clear procedures so limitations are clear
3. Respect residents to create a home not just a property
4. A visible presence, e.g. estate wardens
5. Area based operatives and offices to do smaller repairs, e.g. Whitehawk pilot
6. Ability to do repairs when needed, i.e. attend to one job, see another, so do it
7. Need more staff on both sides
8. More apprenticeships and local staff
9. Local handyman
10. Increase “ownership” of repairs enquiries etc. by staff – increases local knowledge and improve relationships between residents and staff
11. More awareness of disabilities and how to support residents

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

12. More attendance at resident meetings to report back, take ownership, follow up issues and listen to residents' concerns, etc. e.g. resident involvement officers, contractor staff, BHCC staff
13. Increased direct communication between residents and company
14. Dedicated person to contact
15. To every issue there is a perceived solution
16. Trying to create storage space in homes, especially houses, e.g. removal of immersion heaters/airing cupboards/pantries
17. Tenants to pay for own qualified electricians/plumbers – need more support to do this for personalisation of home
18. Relocating gas/electric meters
19. When BHCC remove an item, e.g. a gas fire, then remove the 'whole', not just the fire but redundant pipes too
20. Forms of communication to tenants check understanding of message, e.g. reading out letters and operative checks tenant is aware of what's happening.

What is good about what we do?

1. Call centre - One contact number (improve ways to communicate, contact points to report repairs)
2. ID cards, branding, visible uniform, vans
3. Empty properties- condition when let is better than old contract. Any issues resolved quickly
4. EDB – [contractor] workers courteous, other operatives from sub-contractors not always so polite and respectful
5. If it's possible to be done, they will do it. If you need help, they will try and help.
6. Once you get contact with correct person, things progress. Can be difficult to navigate.
7. Planned work – if see a common theme, will consider creating a programme of work rather repeat repair
8. Estate inspections used to be good and regular but don't always pick up on relevant issues.
9. New kitchens and bathrooms – (took a long time), kitchen fit was good. Individual specifications need addressing
10. Photo Voltaic cells great, but how does roof etc. cope longer term – more solar panels available
11. EDB – helps the whole estate, effects everyone and promotes positive interactions between tenants "cheers us up"

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

12. Responsive repairs are carried out, but not always planned works, e.g. showers in seniors housing
13. If repair is reported correctly, then process works – if tenant doesn't know or can't report repair then issues happen
14. Repair operatives seem to know what's needed. Forethought there with some workers.

What should we do more of?

1. Identify and stop perverse incentives and moral hazards
 - i.e with systems
 - do more to challenge how we work
 - rewards and incentives
 - more awareness of risks , advantages to contractors
2. More training for operatives and all staff in communication
3. More honesty, less excuses
4. More challenges for poor customer service
5. More accountability for the customer and organisation
6. More honest communication when appointments will be missed or an emergency occurs
7. More understanding around needs to change appointments
8. People's lives and flexibility around appointments
9. Local accountability for operatives and contractor
10. More local operatives
11. Apprentices
12. More 'truths' as to why appointments are missed, 'phantom calls'
13. More appointments outside of office hours – don't presume that people are in mon-fri 9-5
14. More opportunity to have repairs out of hours
15. More services available for responsive repairs out of hours
16. More localised service – teams small enough to take ownership of patch
17. Routine repairs delivered in evenings
18. More local teams delivering services with local knowledge
19. More flexibility in appointments
20. More transparency on costs for all residents – see where the rent goes

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

Tenants workshop 2 - 1st August 2018

What should we stop doing?

1. Relying on contractor to manage first part of empty property process (incoming tenants)
2. Sending out people to 'pre-inspect' small repairs
3. Wasting money on new turf in Summer on new build
4. Wasting money on sub-contractors work, without same guidelines as main contractor
5. Code of Conduct not being bought into by sub-contractors
6. Leaving grass cuttings as can end up blocking gutter
7. Neglecting the neighbourhood and community
8. More transparency about amount of money which goes on sub-contractors

What would it be great to start doing?

1. Let housing go into any empty properties to retrieve any usable items
2. Call centre respecting what residents are telling them about a needed repair
3. Look at new kitchen and bathroom rules within B & H standard
4. More post-inspections of work by (someone) independent to the contractor
5. Put a time limit on when planned/cyclical maintenance takes place, e.g no. of years into the future
6. Clearer about when work is planned
7. Preventative maintenance, e.g gutter clearance, soakaways, drains
8. When dealing with damp consider a whole building & lifestyle options
9. Grounds maintenance in smaller blocks to be appropriate for the site. Service charges to reflect level of service received, value for money
10. In-house delivery
11. TUPE'd BHCC staff to contractor, but now employed additional people
12. More in-house delivery would reduce risk of fraud, wastage etc.
13. Research current and historical in-house delivery, relating to cyclical maintenance and responsive repairs
14. Skill base of contractors, engineers etc.
15. Local employment, apprentices all good

What is good about what we do?

1. New bathrooms for disabled people – the workmanship is good.

Options programme for housing repairs, planned maintenance and capital works

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2. Call waiting times are better now
3. Operatives are good – e.g. in manner despite having bad information about the job
4. Uniform and I.D cards, so can check who they are
5. [Contractor] at start of contract
6. Responsive repairs
7. Once on site – empty property cycle is good
8. Text ahead service
9. Repairs desk – first questions asked to assess severity of repairs (scheduling)
10. Good service, quick, personable
11. Guidelines for Code of Conduct for [contractor]
12. Operatives polite and respectful ([contractors])
13. Operatives have I.D ([contractor])
14. Leasehold offers for servicing, repairs and maintenance (gas)
15. Apprentices
16. Employing local people

What should we do more of?

1. Estates to 'advertise' and make clear what minor repairs they do
2. Coming back to Brighton and Hove Decent Homes standard for repairs, kitchen and bathrooms
3. Driving value for money
4. Maintenance? Ensure sub-contractors have same standards and quality of delivery. Code of Conduct
5. More communication around planned works/maintenance
6. More publicity for cyclical works which are planned
7. Continue with 'Resident Inspectors'
8. Repairs rather than replacement (preventative maintenance)
9. More rigorous diagnosis of 'repair' issue (damp/lifestyle impact on issue)
10. More empathy with tenants
11. More energy efficiency
12. Spend more money (wisely)
13. More value for money for service charges
14. Voluntary contribution of service charge e.g. "I'd rather pay more for grass cutting than communal aerial as I don't use a communal aerial"
15. Make gas safety checks for leaseholders compulsory?

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16. Take service in-house?
17. More client surveying (tenant and leaseholder)
18. More statistical analysis

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Tenant and Leaseholder Workshops (appendix 10)

Leaseholders workshop 1 – 25th July 2018

What should we stop doing?

1. Wasting money, e.g. repeated visits for one job
2. Overcharging on works of all types
3. Needs better pricing and value for money – e.g Albion Hill balconies and lifts
4. Stop absence of the truth
5. Stop being opaque
6. Stop spinning and talking things up
7. Inefficiencies
8. Being blind to contractors shortcomings
9. Neglecting proper feedback to residents
10. “Blah and blather” i.e. corporate speak/jargon/ unnecessary– saying something (lots) but really saying nothing, e.g. what are the outcomes of the complaints
11. Being or having a “black hole”
12. Allowing quality to deteriorate after initial period
13. Calling for feedback **only** on jobs that have **not** been complained about – i.e. manipulation
14. Contractor doing their own satisfaction survey
15. Having one contract that incorporates all types of works - so e.g. major projects should always be tendered independent of responsive repairs contract
16. Stop using Community Payback team for internal decorations, e.g. poor job at Albion Hill. Probably better used for non-skilled work.
17. Short-term thinking and inappropriate non future-proofed design considerations (e.g. wrong/corrosive hinges on Essex Place balcony enclosure windows – near the seafront. Problems with telecom mast at Ellen not followed through to save some delays at Livingstone and Conway. Not learning from lessons.
18. Ignoring guarantee/warranty periods (e.g. Somerset Point external staining, although this might not be a warranty issue).
19. Poor specifications
20. Staff under resourcing and/or wrong skills
21. Over specifying jobs/works
22. Downgrading correct specifications just to save money in the shorter term (e.g quality of ironmongery at Clarendon windows)
23. Spec needs to be better and done by housing not a contractor
24. Relying on people with the wrong motivation, e.g. profit
25. Thinking only within one/a/someone’s box. Think wider impacts/implications

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26. For major works stop assuming that each block in a programme requires the same works, e.g some concrete repairs at Livingstone might not have been needed as it has a different construction to the other (3/4) blocks (see Sandberg report)
27. One size fits all thinking
28. [Doing things to avoid criticism] and over specifying on Health and Safety, (how dangerous is a doormat?)
29. Stop “trench mentality” – “it’s all too much so you put your hands over heads and hide”
30. Stop being negative of cyclical maintenance, e.g gutters, doors, window ironmongery
31. Stop erosion of proper estate management skills in favour of more social work type skills, e.g needs a works department skilled to look after buildings too
32. Stop the “industrial landscape” in the communal areas – however, also acknowledged that the health and safety implications of cluttered communal areas is very important
33. Stop using [consultant]; need more independent and local surveyors
34. Stop paying a contractor – 18% profit when they simply sub-contract, e.g. hire a scaffolder

What would it be great to start doing?

1. Listen more to what residents want – the people who live in the building
2. At the very inception of the project engage with tenants and leaseholders
3. Better involvement earlier in the process. This will improve confidence that the work is required.
4. Inform tenants what the project cost is and how this effects leaseholders – they need to value where they live
5. Greater competition with works/contractors. Framework of several contractors to choose from – in-house short term tie-in
6. BHCC should be better resourced to manage the new contracts/projects better, quality assurance and quality control.
7. BHCC must specify each product design for installation, e.g kitchens, fire doors.
8. Surveyors should be local firms either in-house for BHCC or external but local as local companies would have an interest in Brighton and Hove.
9. Maintenance supervisors
10. Better and more regular maintenance of assets in order to extend the life of the buildings
11. BHCC should spend smaller amounts of money in making the buildings look nice, e.g unpleasant entrances areas to blocks (looks too industrial)

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12. Buy in scaffolding. This is a large cost to leaseholders
13. Clearer and better programmes of planned or major work projects to be transparent, and put these on website. Publish this and any changes made clear.
14. Better communication in streams of work where scaffold is required
15. Scaffold register
16. List of outstanding works to a block so that different teams (projects) can tap into that and co-ordinate works
17. I.T system – critical
18. Clearer recordings of what work has been completed for service charges. Again I.T system – joined up
19. Warranty management – BHCC
20. Pool of surveyors/clerk of works to use when required
21. Asset management – out on the ground doing reports of conditions of buildings

What's good about what we do?

1. Quick call answering of call centre (better to have [gas contractor] with own call centre or getting full response)
2. Do more local operatives and sub-contractors*
3. Improved diagnosis (complete at 1st visit) – qualifications/experience of [contractor] staff and trainees titled project manager*
4. Improve communication (ICT system) – style of writing*
5. Graffiti and bulk rubbish could be better (done quickly in few days)*
6. Past 2 years BHCC management of planned major works supervision has improved – very helpful, easy to contact
7. Quality of products, e.g. sinks, kitchens
8. Quantity of improvements good, but not certain of value for money, need more transparency of costs
9. Lack of joined up working coordinating repairs, so have multiple visits*
10. More direct BHCC surveyors to check before and after works
11. Improved coordination of sub-contractors and specialists, e.g. EDB, inadequate information given to operatives*
12. Park Court – fire doors peeling (approx. 5 years ago) *
13. Responsive repairs improved initially with [contractor]... but not sustained. Held to account, contract good.*
14. Planned maintenance no better*
15. Warranty management *
16. Polite staff all the time

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17. Tenants and residents associations meetings – more frequent attendance by BHCC officers to take queries and feedback (difference between (RIO's PIO's?)) *
18. EDB is a good scheme, quick bids.... but creates divide between tenants and leaseholders due to payments. Power/influence not always fair*
19. EDB budget reduced*
20. Resident involvement is positive with EDB
21. BHCC improved skills and knowledge with planned work. Right people for the job, more BHCC control of quality
22. Improved communication, e.g. workshop today
23. Access to housing centre tricky due to location*
24. Co-location of housing centre
25. One large contract – separate responsive repairs, DLO with BHCC. Major works sub individual jobs directly managed by BHCC not a 3rd party*
26. More BHCC staff means improved supervision of quality and better control. Long term benefit of better product and design and reduced maintenance cost long term/
27. Actual contract was good but [contractor] not held to account led to issues*
28. Cyclical maintenance, e.g window mechanisms, long term costs vs short term savings and energy efficiency.*
29. Improve BHCC accountability for decisions and products

What should we do more of?

1. Transparency
2. Communication – prior to 30 days
3. Refurbish communal areas
4. Parking enforcement for our blocks
5. Visitors parking bays – appropriate use
6. Contractors reporting ASB for hazards
7. Discussions on major works before statutory consultation
 - More engagement
 - Better pricing for major works
8. Work with more contractors to get better quality and value for money and pool of suppliers
9. More quality control, clerk of works
10. Cosmetics – life cycle maintenance, more maintenance
11. Windows, lifts, doors, warranties, programmed works, maintenance – a programme for this
12. Quality assurance – checking, monitoring, building management

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

13. Communication with residents on costs of items in their homes
14. More practical solutions, more people on the ground, more people to contact
15. More joint working across the council. I.e. Cityclean
16. More communication with contractors and works that are not commissioned through partnership (i.e. Aerial works, wires in blocks and cables)
17. Planning with other teams and residents
18. More control over works and contract management
19. Surveying and specifying needs to be employed by council
20. Need to be more accessible
21. Consultation at an earlier stage
22. More joint working across all stakeholders to spec work and engage in procuring works and contracts
23. More involvement from all interested parties to prevent contractors identifying repairs, condemning systems and receiving works
24. Cyclical maintenance to improve life of assets (i.e. Windows, gutters, doors, external doors)
25. Maintenance to ensure warranties remain valid and increase life of asset
26. More resident inspectors – to include external areas and communal areas so that small issues can be dealt with quicker before programmes
27. More accessible reporting on housing ICT system for:
 - Money matters
 - Jobs (old) include start dates, process, competition and cost
 - Warranty management process
 - Asset management process
 - Estate inspections
 - Clerk of works for visits, recommendations, outcomes
 - Communication with leaseholders
 - Block by block reports
 - All relating to audit trail.
28. More accountability and ownership of issues
29. Repairs calls dealt with after 1 call
30. More detailed responses to queries, responding to all points within the query
31. More understanding for leaseholders for major projects costs, large bills for works can be very difficult and impossible and destroy people – capping of major costs needs to be considered
32. More responsibility owned by this council to keep up maintenance – this can be considered appropriately through service charges

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

Leaseholders workshop 2 – 1st August 2018

What should we stop doing?

1. Poor communication
2. Poor responses to email
3. Passing from person to person
4. Leaving people 'in the dark' about works
5. Poor maintenance of buildings
6. Large 'one-off' investment projects that are costly and difficult to budget for
7. Suddenly spending money after leaving blocks for a long time
8. Doing works that don't need doing
9. Hiding behind costs – not transparent
10. Making mistakes that have effects on costs, e.g. scaffolding
11. Withholding full cost information (help to justify costs, detail in bills)
12. Dishonesty
13. Stop all big jobs going to one main contractor (separate repairs and other works)
14. Using staff not qualified
15. Poor control of quality of works, who is checking works?
16. Missed appointments
17. Poor quality of repairs
18. Stop delays in programme of works
19. Avoiding dealing with repairs and allowing disrepair to worsen
20. Passing works between repairs/planned areas and therefore delaying works
21. Poor to little quality checking
22. Mis-use of council properties and funds
23. EDB – money could be better used
24. Stop adding extras onto project works so that bill becomes huge
25. Leaving it so long to do works so that all happens at once
26. Passing on bills to leaseholders for faulty equipment
27. 'Phantom' calls – blaming residents for lack of attendance
28. Repeat visits
29. '10 year plan' always year 1!
30. 'All at once' approach, stage works
31. Replacing all assets at once – do they need it?
32. Stop poor maintenance of assets
33. Mistakes on bills

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

34. Leaving leaseholders to have to find out detail in costs and find mistakes
35. Contractor condemns asset and then is incentivised to make money replacing, i.e. surveying on contractor side (should be council employee)
36. Stop major works bring part of any long term contract
37. Stop giving meaningless answers to questions
38. Stop hiding behind relationships
39. Stop charging double management fees on works
40. Contracting out for major works
41. Stop blurred lines of responsibility
42. Stop profit and additional management costs (hidden and transparent profit)
43. Stop 'non' reactive maintenance - preventative maintenance doesn't happen, reactive maintenance doesn't happen, then a major project gets developed for additional profit
44. Charging management fees as a percentage
45. Stop allowing contractor to dictate costs and run the show
46. Using large national firms when good local contractors are available
47. Stop lying – when works haven't been done, (tree – cherry picker)
48. Stop giving ridiculous excesses (computer system needing to class a job)
49. Unreasonable costs to leaseholders – challenge contractors first
50. Allowing contractors to 'mark own homework'
51. Putting good money after bad - review blocks as a whole, ceilings to asset investment, consider demolish/rebuild
52. Stop employing [contractor]
53. Allowing those to specify the works when they will be doing the works
54. Allowing work to become necessary through neglect of maintenance
55. Major works on a block contract – should be tendered individually
56. Playing divide and rule, e.g. council tenants vs leaseholders vs leaseholders tenants, resident leaseholders vs non-resident leaseholders
57. Issuing contracts without understanding the asset (replacement programmes not always needed, grounds maintenance per sq metre, when we don't know how many, properly assessing needs for works carried out)
58. Having people in positions who are not qualified appropriately and cannot fully answer questions (both client and contractor)
59. So employing people in positions who do not have any authority to get things done
60. Stop fobbing us off
61. Stop talking down to us
62. Assuming that everyone is on the internet
63. Assume everyone can get to meetings in working hours

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

64. Letting warranties and guarantees run out
65. Unclear specifications not clearly defined

What would it be good to start doing?

1. Agree in conjunction with committee of leaseholders a maximum price for individual leaseholder per major works project, to ensure costs are reasonable
2. Maintenance of properties as per manufacturers specs
3. Pro-active (planned in) maintenance to reduce costly replacements
4. Transparent, meaningful responses to queries, e.g. evidence warranties are being enacted
5. Separate tendering process for major works – section 20's not being part of long term agreement
6. Commission external/independent surveyors for major works
7. Make reports easier to access (fire, building, roof, cladding etc.)
8. Change green netting on scaffolding to lighter colour
9. Regular preventative maintenance routine
10. Keep to terms of warranties – schedule inspections before warranties ends
11. Create accurate and up to date asset management system
12. Split who is doing specs of what works need to be done from organisation doing the works
13. Independent quality assurance, quality control and sign off
14. Meaningful consultation, early engagement (pre-programming) including inclusion in asset management planning process
15. Grouping works to save and informing leaseholders how much to save (where reasonable), where not then stagger costs to prevent large bills
16. Sector competent staff, e.g. surveyors, not just paper pushers
17. Agree maximum per annum to charge for major works
18. With high cost major works, give more detail; minimum of 5 years in advance to allow for budgeting
19. Complete inspection every one to two years to accurately manage assets and planned maintenance/repairs and major works, in conjunction with reserve accounts for pre-payment of high cost works
20. Online resource showing works history for properties
21. Pre-planning consultation
22. Enforcing an accurate list of warranties
23. Pre-planning consultation with both leaseholders and tenants
24. In-house surveyors, planning of works, Health & Safety, Clerk of Works and cost control

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

25. Online resource to see history of properties to enable leaseholders (also for staff use) to plan for costs
26. Regular planned maintenance and inspections to prevent costly repairs
27. Utilising front line staff

What's good about what we do?

1. Responsive repairs
2. On site management at some places
3. Outreach – engagement
4. Apprenticeships
5. Beginnings of a more positive relationship – needs to go a lot further
6. Words maybe OK - need to turn into actions
7. Meetings and resident engagement

What should we do more of?

1. Treat the money/budget like it's your own, (better still treat it like it belongs to councillors)
2. Involve everyone and remember people have the same interests (i.e. tenants and leaseholders), not necessarily true as tenants don't pay directly or at all! But main interest is in having a nice place to live
3. Embrace views of leaseholders more, because the council will also benefit from having more money available (efficiencies) to do more projects.
4. Do more of explaining finances to tenants
5. Routine/preventative maintenance to extend life of assets, (e.g. more at Lennox St)
6. Keep to guarantees, use defects liability periods, especially on cladding works
7. Quality control and QA
8. Employ more trades directly and apprentices
9. More procedures in place to ensure that correct building and safety regulations are followed
10. Communication – 2 way and more option times for meetings, e.g. weekends and later evenings
11. More genuine consultations, earlier in process, i.e. real interest in what people have to say, not just the S20 notice, but before
12. More in-house surveyors and estimators – you can't rely on your contractors

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

13. More comprehensive knowledge of assets including e.g. proper info of quantities/size of land/grass areas for grounds maintenance and knowledge of unit costs, and more record keeping
14. Honest charging – e.g. if only mopping/cleaning for 48 out of 52 weeks (to account for holidays and sickness) then only charge for 48 weeks – use these easy wins – but if your cleaners sick you still have to pay for them
15. Works over a certain value should be tendered on the open market, or via chosen list of contractors, usually 3 for high value, and not the same 3 – rigging problem
16. Local approved contractors
17. Have an email list for all leaseholders and invite to meetings or send communications (only found out about this meeting via someone else)
18. PDFs online – e.g. Homing In, save money, a Facebook page (but not everyone has a computer)
19. More surveyors – even on a project by project basis
20. Bank of local surveyors with local offices with a vested local interest (support the local economy) “sticky money”
21. More details on the annual expenditure bill – be more transparent, open, honest, don’t wait until asked
22. Let LAG use councils mailing list, even though they shouldn’t have access to it
23. Shorter term contracts
24. More penalty clauses for poor performance, late delivery etc.
25. In-house control
26. More focus on overall property and estate maintenance, not just the tenancy management/people side
27. Transparency – production of reports, availability or access to reports that show we’re maintaining properties/components as per manufacturer specification
28. Proactive maintenance – preventative
29. More in-house or independent surveyors, clerk of works, quantity surveyors
30. Meaningful S20 consultation, and the contract shouldn’t cover major works, not just about commenting on work a contractor will automatically get “it moved from a democracy to a dictatorship” “the dictator moved in without anyone noticing”
31. Leaseholders to have special representation or advocate when long term contracts are agreed (legal or surveyor), paid from the increase in service charge fees from major works because leaseholders end up paying multiple times – e.g. contract managers managing contract managers managing main contractors.
32. More equitable charging across the city because, e.g. unfair to have percentage of block costs in those blocks with fewer flats (e.g. for MEDs)

Options programme for housing repairs, planned maintenance and capital works

Tenant and Leaseholder Workshops (appendix 10)

33. Have a maximum cap on the value of works or bills for any leaseholder during a fixed period, e.g. an extension or variation of Florries Law.

Key

* - a negative comment in the positive section

[text] - where we have amended wording

LAG Focus Points for LH Workshop on Mears Contract Renewal: July/August 18

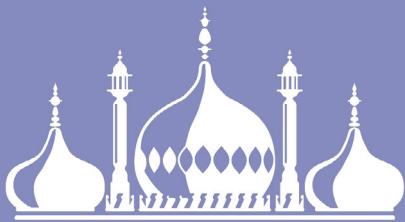
The Leaseholder Action Group has compiled a list of important focus points for the workshops that are being held by the council for the purpose of consultation with all residents. These points are as follows:

1. **IT System** -The council are in the process of buying a new IT system. It is vital that all stakeholders are provided with the spec for this system because it will impact hugely on the future reporting of responsive repairs, planned maintenance, and major works. The current reporting system is completely inadequate. Repair logs must exist for all the contractors that the council employ but only the most sketchy details are available when requested.
2. **Asset Management** - It is crucial to future relations with all stakeholders that stock is managed appropriately.
3. **Warranty Management** - Either the council or the contractor should be responsible for the actioning of warranty terms, something that does not happen at the moment.
4. **New contract** - Any new contract should not be long term, but managed on a day-to-day basis.
5. **3 Levels of Works Identified** - a) A small team on permanent call (clerk of works) for lowest level of works. b) Surveyor-recommended and costed jobs. c) Major works - spec put out to tender.
6. **Clerks of Work & Surveyor Council Posts** - more of these are needed. Surveyors should be employed directly by the council from a bank of local ones on an as-and-when basis, and the type of post matched to the level of work/cost of job.
7. **Transparency and Accounting** - transparency in all things is vital. There is none at the moment.
8. **The Leaseholder Workshop Attendance List** - this should not have a tick box for agreement "to share" because people filling it in have no idea who they are sharing with. This is counter-productive to communications between LAG and all leaseholders, a situation which has been perpetuated by the council's past refusal to facilitate communication. The attendance sheet must say at the top, "If you would like to receive news and information from the Leaseholder Action Group please provide your contact details below." As the workshops have been divided into leaseholder and tenant categories, this should be simple to apply.

Please note that this list is not exhaustive and that other elements of contract management will also be important to LAG. Leaseholders and tenants have been separated for the workshops. The reason given by Larissa for this is that leaseholders seem to be concerned with major works while tenants are concerned with responsive repairs. This division can only have arisen because the LAG Aims for this year were largely based around major works, but, as LAG explained more than once, it is because priorities for the year needed to be set. Leaseholders are, in fact, just as engaged with responsive repairs as tenants.



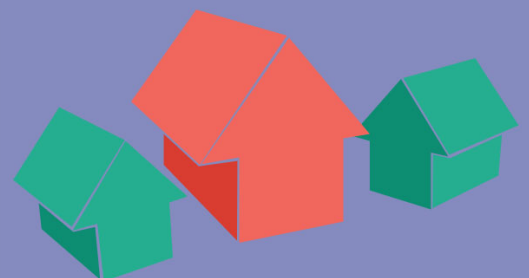
Repairs and Maintenance Service consultation 2018



**Brighton & Hove
City Council**

Report by Scott Rumley & Adam Payne
scott.rumley@arp-research.co.uk
adam.payne@arp-research.co.uk

(t) 0844 272 6004
(w) www.arp-research.co.uk



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1. Introduction

Background

This report details the results of the Brighton & Hove City Council's repairs and maintenance consultation with tenants and leaseholders. The council has a housing stock of approximately 11,000 tenanted properties and 2,400 leasehold properties.

This consultation has been prompted by the end of the 10-year partnership with Mears in March 2020. Ahead of that date, the Council is asking residents for their thoughts and experiences with the existing contract to help shape services for the future. This includes what's been delivered well, what could be done differently, and what could be improved.

The contract covers responsive repairs, planned maintenance and improvement programmes such as replacement bathrooms and kitchens, and major capital works, mainly to the exterior of blocks.

About the consultation

The consultation period ran throughout July and ended on the 14 August 2018. Background information was available on the Council's website, along with an online questionnaire. In addition, in-home interviews were also conducted by contractors on behalf of the Council with a wide cross section of tenants and leaseholders. In total, 1,160 individuals took part in the consultation, including 1090 by interview and 70 online. This included 945 Council tenants (error margin +/- 3.1%), 200 resident leaseholders (error margin +/- 6.6%), and 15 others with a variety of other tenure types.

Understanding the results

Most of the results are given as percentages, which may not always add up to 100% because of rounding and/or multiple responses. It is also important to take care when considering the results for groups where the sample size is small.

Where there are differences between groups, these are subjected to testing to discover if these differences are *statistically significant*. This tells us that we can be confident that the differences are real and not likely to be down to natural variation or chance.

For detailed information on the survey response rates, methodology, data analysis and benchmarking, please see appendix A.



2. Executive summary

Overall satisfaction

1. The tenants and resident that took part in the consultation were generally very satisfied with the repairs and maintenance services that they currently received. This was typified by the responsive repairs service, where satisfaction was extremely high at 89%, including two thirds that were 'very' satisfied (section 4).
2. Leaseholders tended to be less satisfied than tenants, but this was only in relative terms because over three quarters of that group were still satisfied with responsive repairs.
3. There were some differences in the results by age and gender, but satisfaction was generally high across the sample. For example, there were no clear differences in any of the results by geographic area.

Consultation and involvement

4. The most striking finding to emerge from the consultation was that for every core element of the repairs and maintenance service, the vast majority of customers felt that the best way to improve would be to increase the opportunities for feedback and consultation. For example, this topic described 84% of all the suggestions for improving responsive repairs, 81% for improving major work, and 85% for planned maintenance improvements.
5. Indeed, many respondents mentioned how pleased they were to take part in this survey, to the extent that 70% of the comments made at the end of the interview were request for the Council to publicise the findings of this survey (70%), whilst a further fifth (21%) wished to see more information in the future on both the contract tendering process, and the final decision (section 7).

Reporting a repair

6. Respondents were generally very positive with the standard of the customer service that they had received when reporting a repair (85%), including over two thirds of the sample who rated the service as 'very good' (71%). Indeed, when asked how the reporting could be improved, over a third of the answers were simply that no improvement was needed (section 3).
7. However, tenants were much more likely than leaseholders to say that the call handler understood the issue being reported (95% v 84%).
8. It was also notable that there was a gender difference in how these questions were answered. Not only were male respondents more likely to feel that the call handler understood the issue (96% v 88%), but they were also more likely to be pleased with the customer service they received (94% v 80%).
9. In broad terms the service desk was considered easy to access by the vast majority of those that had recently done so, including 93% of tenants and 85% of leaseholders.
10. The attitude of the call handler and the ability to book a date there and then were the primary factors that respondents said mattered most to them when reporting a repair.

2. Executive summary

11. There was, however, a difference between tenants and leaseholders, the former being more likely to mention the need for empathy and support (27%), whereas the latter seemed to be more matter of fact and focused simply on getting a definite date (40%) as quickly as possible (17%).

Online services

12. Tenants and residents felt that their recent experience of reporting a repair could be made even more efficient through the use of an online reporting system (78% and 70% respectively). Furthermore, when asked in their own words how the service could be improved, 43% of respondents specifically mentioned an online option, including 25% that specifically mentioned a smartphone app (section 3).
13. However, keeping the helpdesk was specifically noted by many, including those who otherwise were still keen on the online/app for themselves.

Responsive repairs

14. As already mentioned, 89% of those that had used the responsive repairs service within the last 3 years were satisfied with their experience, although this figure did drop to 80% for those that had reported a repair within the last year (section 4).
15. Unsurprisingly, the two things that mattered most to respondents when repairs were carried out to their home were the timeliness and quality of the eventual repair. Indeed, when asked in their own words what mattered most, 81% of those that commented mentioned at least one of these, although of the two timeliness was mentioned a little more often (52% v 44%).

Major external works

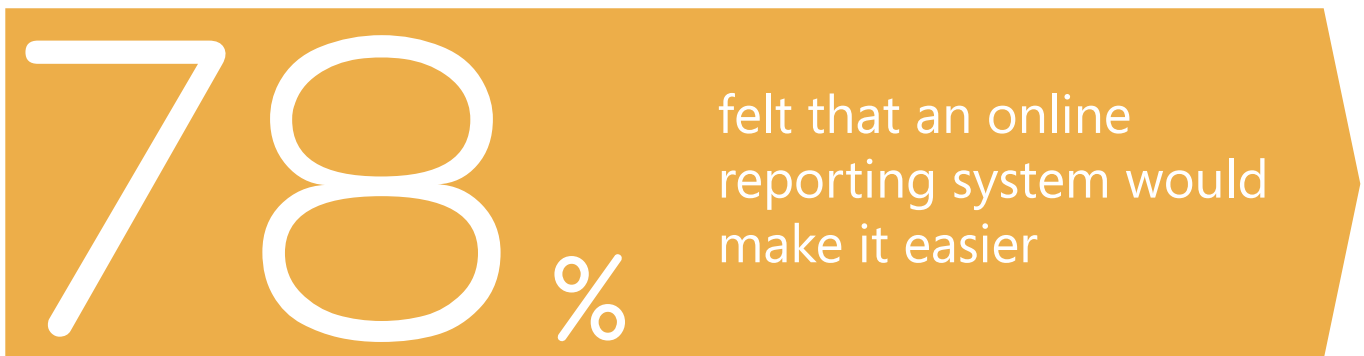
16. Large scale external works were a much more common experience for leaseholders than for tenants, with almost half of the former having received some major works during the current repairs contract, compared to only a fifth of the latter (47% and 22% respectively, section 5).
17. The key positives that these respondents took away from the experience was simply that they had no problems or disruption. However, it was pleasing that one in ten specifically noted the quality of the work.
18. When considering what matters most to tenants and residents when these works are being completed, it would seem that timeliness was the key factor, mentioned in over half of the total comments (55%).
19. After this though, the two types of customers diverged somewhat with tenants being more likely to focus on the standard of the work (26%), whereas for leaseholders it was more critical that work be well managed (27%) and delivered on budget (32%).

Internal improvement work

20. Around a third of tenants had indeed had some planned improvement work completed during the current contract period, and this group were asked how satisfied they were with the works.
21. Satisfaction was incredibly high at 96%, including over three quarters that were 'very satisfied', which was so high as to preclude many differences between groups. Similarly, 95% were satisfied with the level of communication regarding the work (section 6).
22. As was true for the other two main service areas, timeliness was also what seemed to matter most for tenants regarding any improvement works to their home (49%), somewhat ahead of the standard of the work which was the second most frequently mentioned priority (36%). Furthermore, 17% of the comments suggested that the simple fact improvement work was taking place was in itself what mattered most.



3. Reporting a repair



The first stage of any responsive repair is the reporting process. In fact, the vast majority of contact between the Council and its tenants and leaseholders is via this channel, so this typically has strong impact on overall perceptions of the standard of customer service.

Indeed, around a fifth of the survey sample had contacted the repairs desk in the last year to report a repair. Interestingly, despite the fact that leaseholders receive only a subset of the services, almost as many members of this group had contacted the helpdesk as had tenants (21% v 17%).

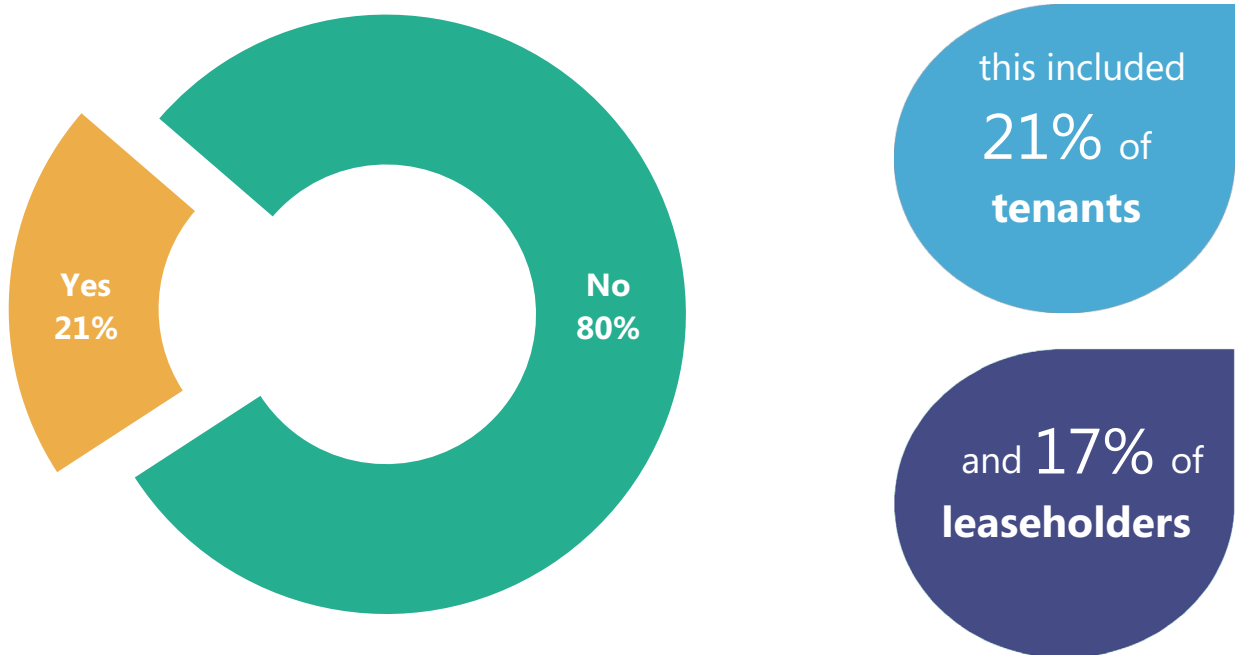
In terms of the current provision, respondents were generally very positive with the standard of the customer service that they had received (85%), including over two thirds of the sample who rated the service as 'very good' (71%). Indeed, when asked how the reporting could be improved, over a third of the answers were simply that no improvement was needed (chart 3.7).

There was, however, a significant difference between tenants (90% good) and leaseholders (73% good) on this question. The reader should bear in mind that the leaseholder sample for this question was small, but this pattern is consistent with similar surveys in the sector. Furthermore, tenants were much more likely than leaseholders to say that the call handler understood the issue being reported (95% v 84%), although again it was a small sample.

3. Reporting a repair

3.1 Contacted the repairs desk in the last year to report a repair

% Base 1160 | All respondents



It was also notable that there was a gender difference in how these questions were answered. Not only were male respondents more likely to feel that the call handler understood the issue (96% v 88%), but they were also more likely to be pleased with the customer service they received (94% v 80%). Whilst this is likely to be simply a function of a wider gender difference, it still serves as reminder of how users can experience services differently.

Nevertheless, in broad terms the service desk was considered easy to access by the vast majority of those that had recently done so, including 93% of tenants and 85% of leaseholders. Younger respondents aged under 35 were particularly positive in this regard (97%).

Despite the very high scores for accessibility, it would seem that tenants and residents still felt that their recent experience of reporting a repair could be made even more efficient through the use of an online reporting system (78% and 70% respectively). Furthermore, when asked in their own words how the service could be improved, 43% of respondents specifically mentioned an online option, including 25% that specifically mentioned a smartphone app.

Unsurprisingly, 91% of the under 35s felt that online services would make it easier for them, compared to 62% of those aged 65 or over.

One of the things people noted that was positive about an app or portal was that it would be a 24/7 service rather than having to wait until working hours to do it.

“Feel that using the internet means that the service can become 24/7 rather than office hours only to speak with someone.”

“Online option is a no brainer please, bring it as soon as possible.”

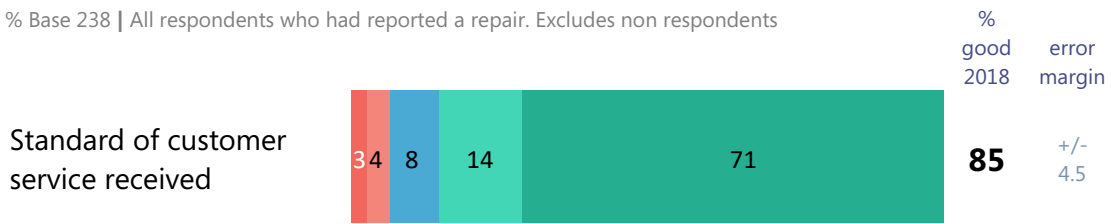
“Phone app good for me as it would be "open all hours".

“Phone app would make it an always available service, modern up-to-date use of technology.”

3. Reporting a repair

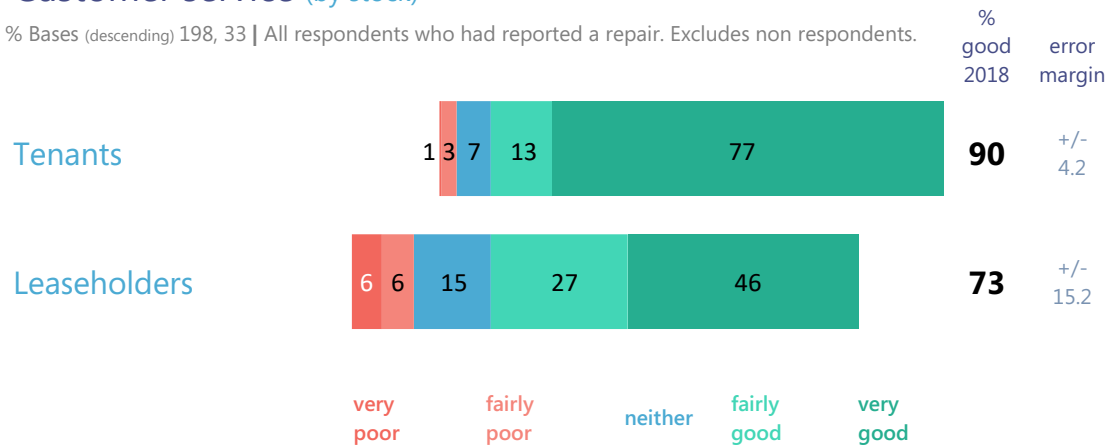
3.3 Overall standard of customer service received from the repairs desk

% Base 238 | All respondents who had reported a repair. Excludes non respondents



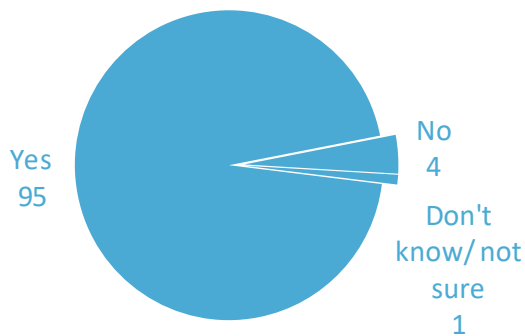
3.4 Customer service (by stock)

% Bases (descending) 198, 33 | All respondents who had reported a repair. Excludes non respondents.

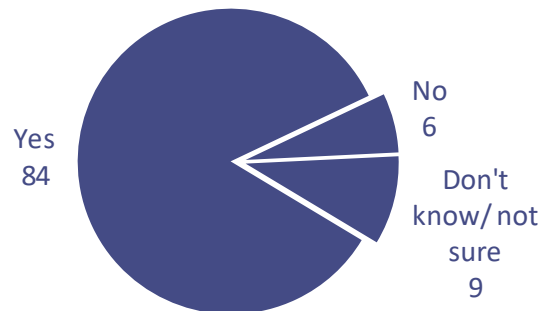


3.2 Call handler understood the issue being reported

Tenants % Base 198 | Contacted in last 12 months



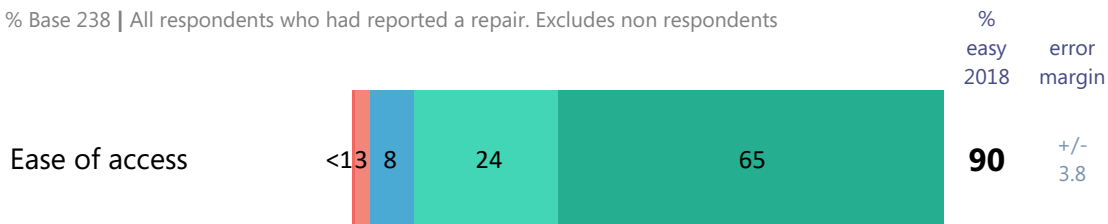
Leaseholders % Base 32 | Contacted in last 12 months



3. Reporting a repair

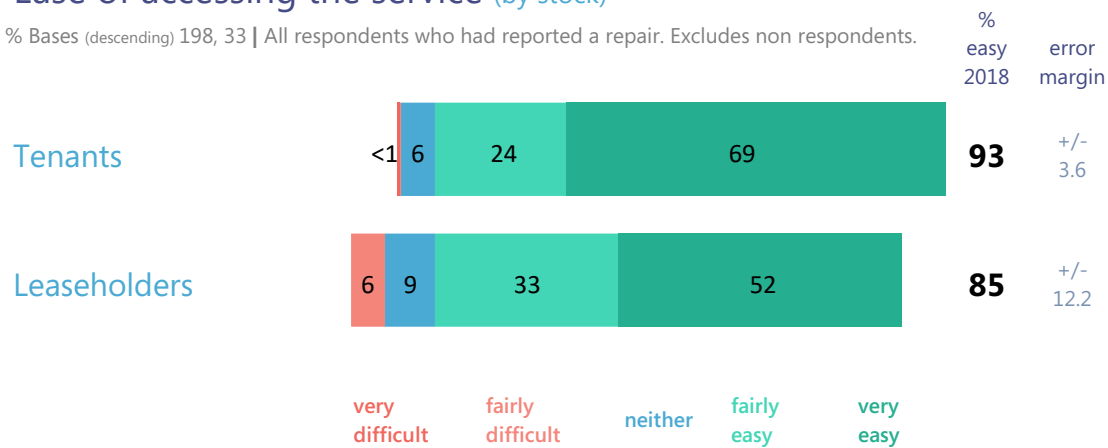
3.5 Ease of accessing the service

% Base 238 | All respondents who had reported a repair. Excludes non respondents



3.6 Ease of accessing the service (by stock)

% Bases (descending) 198, 33 | All respondents who had reported a repair. Excludes non respondents.



Another advantage of online would be the ability to track progress on a repair, something that was also raised as an idea for improvement by some respondents, as even on the phone they did not always receive a repairs reference number.

“Always providing a repairs reference number, I always have to ask for this and without one I never get very far following up an existing issue. If setting up online it would be good to be able to track the progress online.”

However, keeping the helpdesk was specifically noted by many (8%), including those who otherwise were still keen on the online/app for themselves:

“Online option good but keep helpdesk open for those not using web.”

“Do understand that not everyone is online and some would much prefer to talk, so important that resources permit the helpdesk to be available too.”

A few people mentioned the lack of integration between the daytime and after-hours service as an area for improvement:

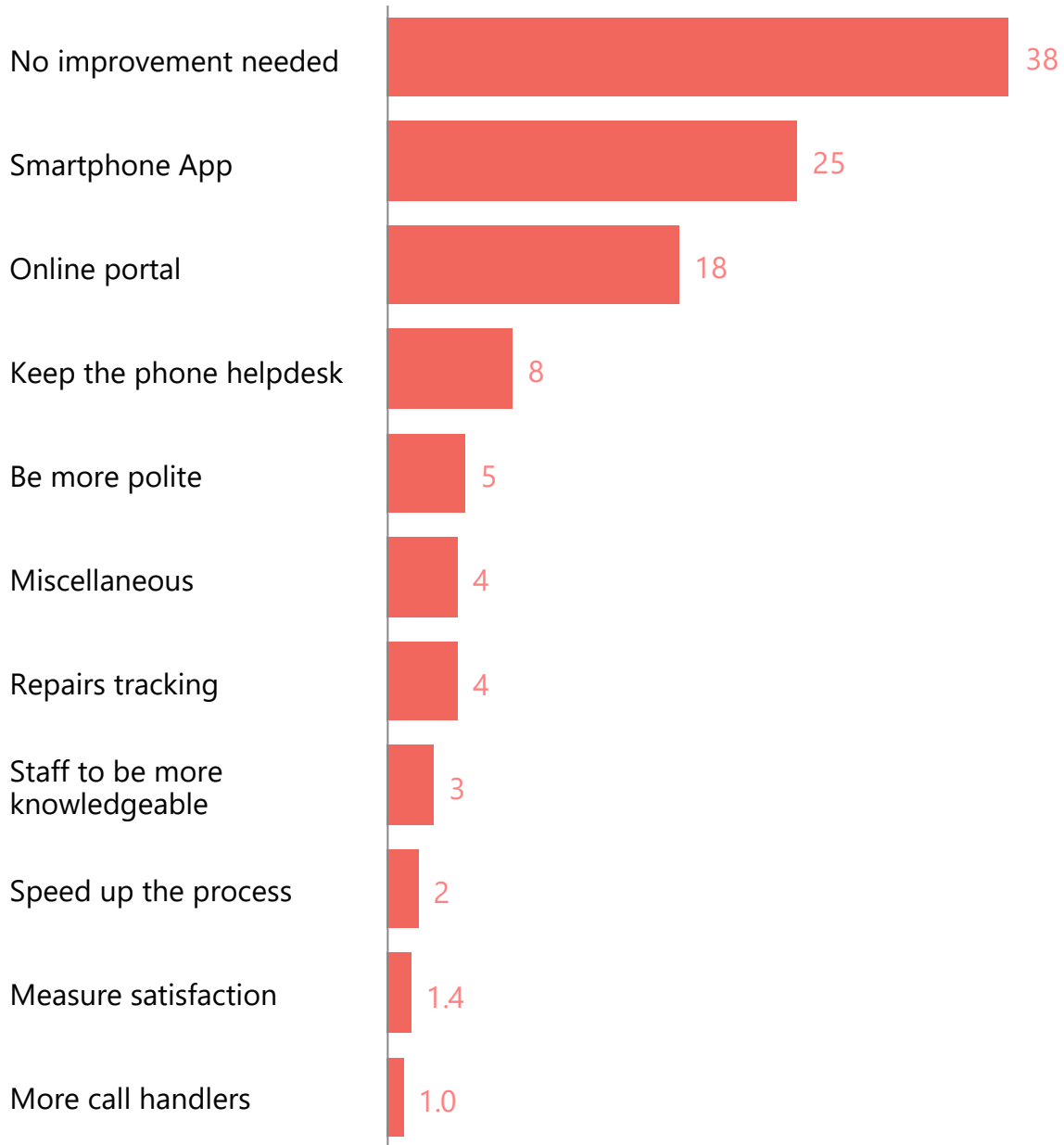
“Have a single system so out of hours reports are on the day system with the notes else you start again in hours.”

The previous questions had only been asked of those with recent experience of reporting a repair, however, every respondent was also asked what mattered most to them when reporting a repair. The various verbatim comments were grouped together into similar themes, and as can be seen in chart 3.9 it was clear that for the greatest proportions of respondents, it was the attitude of the call handler and the ability to book a date there and then that were the primary factors.

3. Reporting a repair

3.7 What could we do to improve your experience of contacting the helpdesk

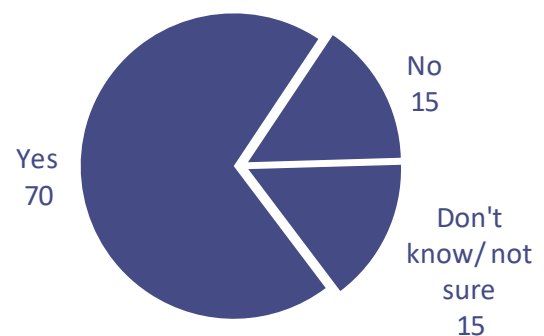
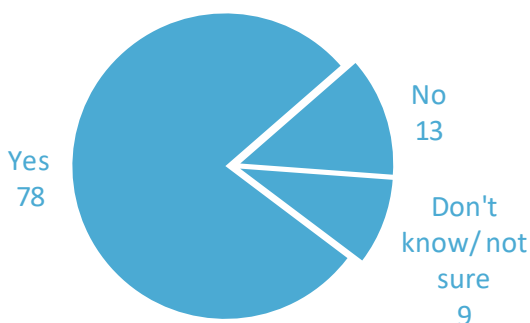
% Base 207 | Only includes respondents that commented. Coded from verbatim comments.



3.8 Online reporting system would make it easier

Tenants % Base 198 | Contacted in last 12 months

Leaseholders % Base 33 | Contacted in last 12 months



3. Satisfaction overall

Customers clearly wanted the staff they spoke with to take ownership of the issue and do everything possible to help, with some of the comments including:

“Helping the caller to report and arrange a fix for the problem. Accuracy. Patience. On the caller’s ‘side’”

“Really trying hard to help the caller report their problem and getting it fixed”

“Having to call helpdesk may be at a tense time so helpful voices and willingness to sort the problem becomes very important to the caller.”

There was a similar proportion of respondents that were also looking for empathy and support from the call handler, and although this correlated reasonably against helpfulness, it was separated out as it is a subtly different issue. Indeed, it was intriguing to note that there was a statistically significant difference between tenants and leaseholders over whether empathy and support mattered most to them (27% and 15% of commenters respectively). Some of the examples of the comments in this category included:

“Being attentive and supportive of my needs”

“Being patient, helpful and kind to the caller who may be stressed”

“Always going the extra mile to support and help the caller who is possibly low and stressed when they call in”

“Operator to be supportive of elderly/special needs tenants”

Indeed, it was clear that leaseholders seemed to have a more matter of fact attitude towards the process of reporting a repair, as not only were they less likely to be requiring empathy and support, but they were much more likely than tenants to be set a date (40% v 20%) and to go through the process quickly (17% v 7%). Conversely, tenants were more likely to mention a preference for taking the time needed to accurately record the details.

“Not rushing the caller. Checking back to make sure all the details are correct. Explaining what will happen next”

“Accuracy when taking down the details. Listening carefully. Probing to see if there might be other aspects to the problem”

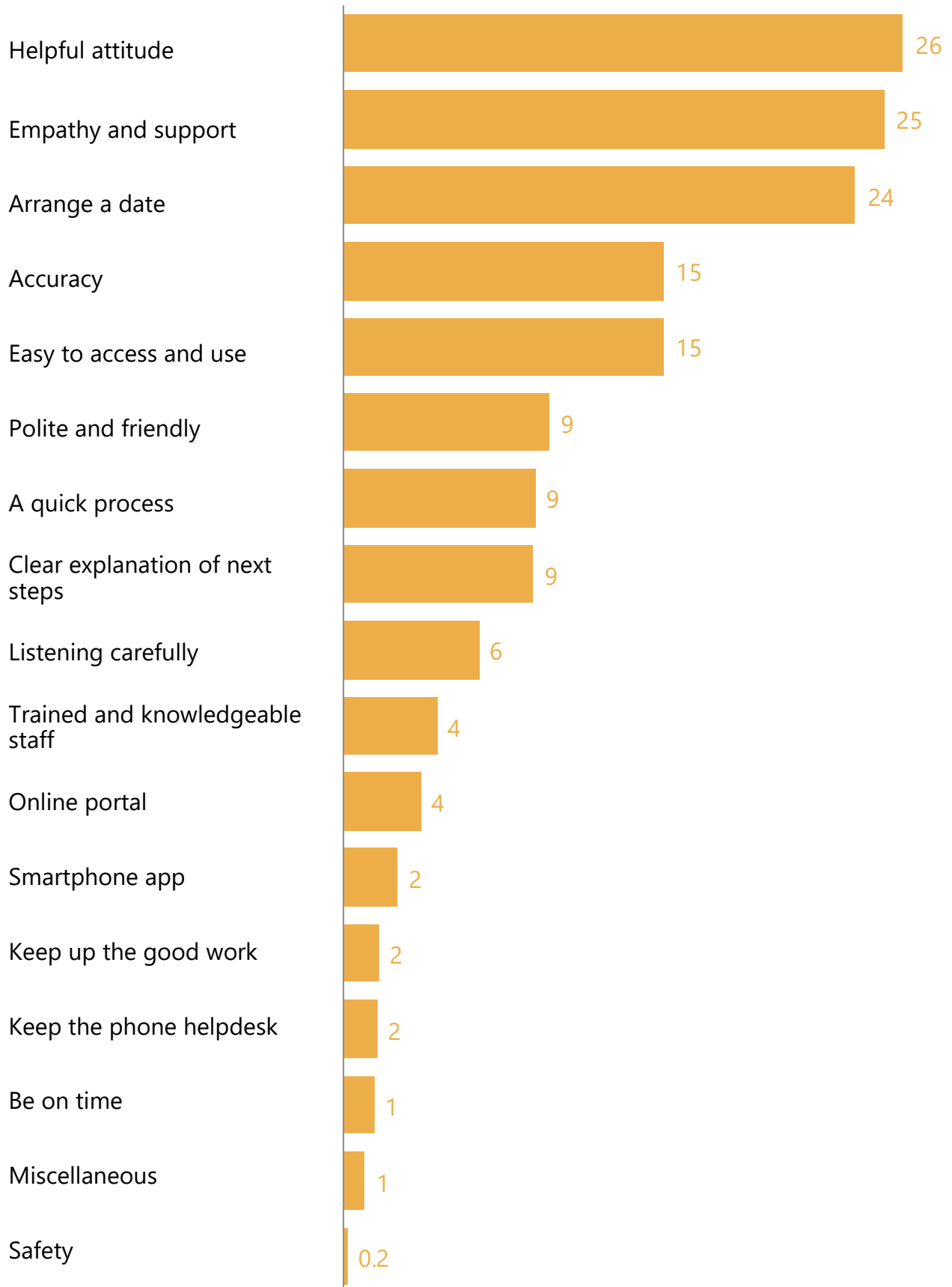
“Essential that time is allowed to get down the details correctly”

Incidentally, it is worth noting that despite the high level of support in principle for online reporting, this did not mean that it was necessarily the most important issue as very few cited either an online portal or an app as key aspects for them of the reporting process.

3. Reporting a repair

3.9 Main most important things for this part of the service

% Base 1,043 | Only includes respondents that commented. Coded from verbatim comments.



3. Reporting a repair

3.10 Main most important things for this part of the service by stock

% Base 1,043 | Only includes respondents that commented. Coded from verbatim comments.

	% positive		
	Overall	Tenants	Lease holders
Helpful attitude	26	27	21
Empathy and support	25	27	15
Arrange a date	24	20	40
Accuracy	15	16	8
Easy to access and use	15	14	17
Polite and friendly	9	10	9
A quick process	9	7	17
Clear explanation of next steps	9	9	6
Listening carefully	6	7	2
Trained and knowledgeable staff	4	4	4
Online portal	3.5	3.9	2.1
Smartphone app	2.5	2.2	3.6
Keep up the good work	1.6	1.6	1.6
Keep the phone helpdesk	1.5	1.6	1.0
Be on time	1.4	1.6	0.5
Miscellaneous	1.0	0.8	1.6
Safety	0.2	0.1	0.5

Significantly **lower** than average (95% confidence*)

Significantly **lower** than average (90% confidence*)

Significantly **higher** than average (95% confidence*)

Significantly **higher** than average (90% confidence*)

* See appendix A for further information on statistical tests and confidence levels



4. Responsive repairs

89%

satisfied with responsive repairs received

84%

said that consulting customers was the main area for improvement

Responsive repairs are the first thing that most tenants will think of when considering the repairs and maintenance service as a whole, in part because of the frequency with which it used. Indeed, surprisingly similar proportions of both tenants and residents had received at least one repair during the previous 3 years (44% and 39% respectively).

Satisfaction with the repairs service that they received as a result was extremely high at 89%, including two thirds that were 'very' satisfied.

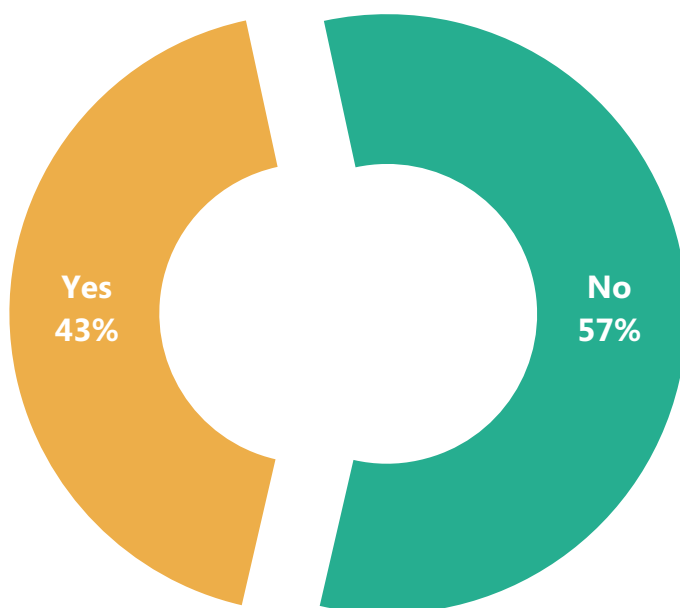
As was also the case in the previous questions, whilst tenants were almost universally positive (only 5% were dissatisfied), satisfaction was not quite as high for leaseholders, albeit still the majority view. Nevertheless, 17% of leaseholders were actively dissatisfied with the service they had received, including almost one in ten that were 'very' dissatisfied (8%).

It is also worth noting that those respondents with the most recent experience of the service, namely those that had reported a repair within the last year, were significantly less satisfied than the average (80% satisfied, 15% dissatisfied).

4. Responsive repairs

4.1 Had a repair in the last 3 years

% Base 1160 | All respondents



this included
44% of
tenants

and **39%** of
leaseholders

Unsurprisingly, the two things that mattered most to respondents when repairs were carried out to their home were the timeliness and quality of the eventual repair. Indeed, when asked in their own words what mattered most, 81% of those that commented mentioned at least one of these, although of the two timeliness was mentioned a little more often (52% v 44%).

“It all begins with being on time, that is so important, especially with childminding/ creche issues in addition to work ones. Always there should be flexibility because sometimes things that are out control go wrong but, if so, they need to be communicated so that it can be handled.”

“The simple things - on time and doing a good job”

“Simply that the work is well completed on the arranged day”

“It all begins with being on time, that is so important, especially with childminding/creche issues in addition to work ones. Always there should be flexibility because sometimes things that are out control go wrong but, if so, they need to be communicated so that it can be handled.”

On the topic of quality, however, it was notable that 15% of respondents specifically pointed out the need for staff to be skilled and experienced in the work they were asked to do:

“That the workers know what they are doing and have the training and knowledge to undertake the repair”

“The work team to be well trained and have good "customer" skills. Very important to have the latter when working in someone else's home”

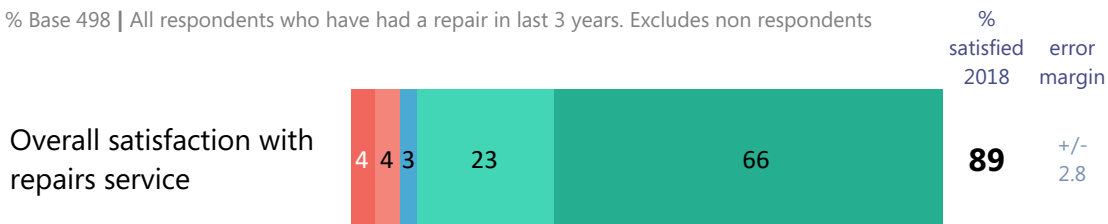
“Pleasant workers who enjoy their work and have people skills. Frequent training for the staff taking into account customer feedback, new work practices and ideas”

“Trained and skilled workers. Workers who have experience of the repair type having carried out such work before/ undergone training”

4. Responsive repairs

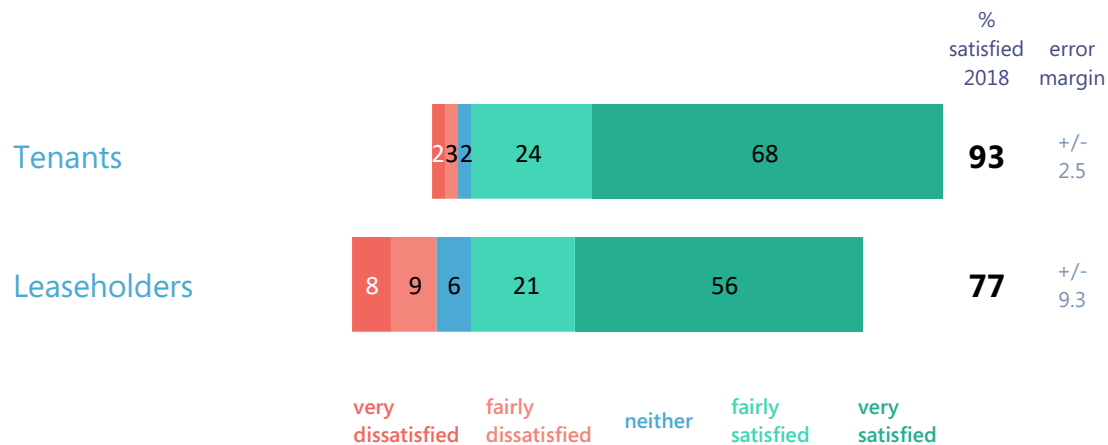
4.2 Overall satisfaction with the repairs service received

% Base 498 | All respondents who have had a repair in last 3 years. Excludes non respondents



4.3 Overall satisfaction with the repairs service received (by stock)

% Bases (descending) 412, 78 | All respondents who have had a repair in last 3 years. Excludes non respondents.



It was also pleasing to see that a number of respondents simply said that what mattered most to them was simply for the Council and its contractors to keep up the good work.

“What we actually received, workers on time, cheerfully going about their work and doing a good job. Thanks!”

“Our experience was really good. Reporting the matter was easy and the team arrived to check it out/sort as arranged. Staff very customer focused and friendly. A credit to Mears”

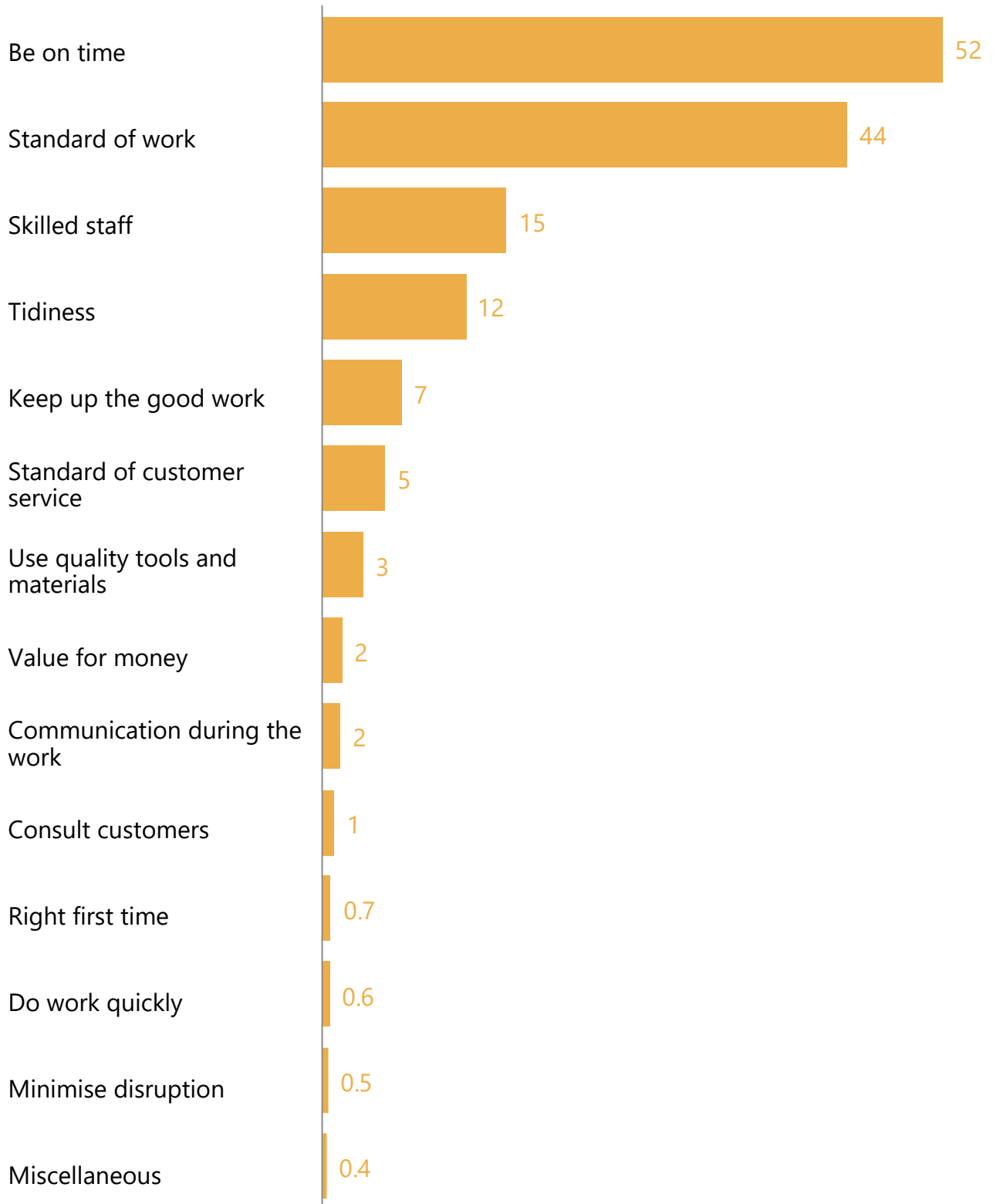
“Brilliant work in our experience. Came as arranged, did a good job and left us happy with that”

When tenants and residents were then asked what the Council could do to improve the repairs and maintenance services, it was striking how only a handful of respondents suggested that quality actually needed improving, whilst nobody mentioned timeliness. Instead, the overriding response was that doing more to consult customers and receive their feedback was the single improvement that would be welcomed most, to the extent that 84% of comments were on this topic.

4. Responsive repairs

4.4 What matters most about how we carry out repairs to your home

% Base 1,047 | Only includes respondents that commented. Coded from verbatim comments.



4. Responsive repairs

“Just make sure that our excellent experience of using the service is the norm or becomes the norm. Get customer feedback like this and act on it”

“Try to make everyone like mine! Encourage customer views and feedback and then use those to make the services maintain its standards and use some of the less good scenarios in staff training sessions”

“Encourage customer views by leaving a survey sheet or a web link so the tenant can give their views”

“Customer feedback used in staff training and presentations to the team. “Hands on” management style whereby bosses get their hands dirty and meet their customers”

“All customers invited to measure the quality of service from initial telephone call to job being completed via feedback forms or internet”

“Managers to be hands on. Make sure that Mears is offering the best service. Customer feedback programme to benchmark the process”

Not only was this the majority view regarding responsive repair, but similar opinions were also expressed around external works (section 5) and internal improvement programmes (section 6). Accordingly, this is without doubt one of the primary messages to come from the survey results.

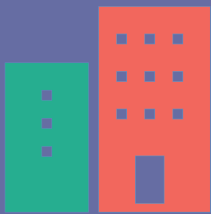


The margin of error is the amount by which the quoted figure might vary due to chance. The margin gets smaller as the base size increases. When comparing two scores, remember that each has its own independent margin of error.

4.5 What could the Council do to improve the repairs and maintenance service

% Base 1,025 | Only includes respondents that commented. Coded from verbatim comments.





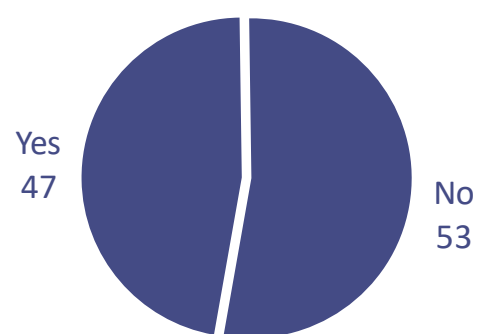
5. Large scale external works

5.1 Council has carried out major external works in the last 8 years?

Tenants % Base 943



Leaseholders % Base 200



Large scale external works are typically those carried out to blocks of flats and would normally involve a mixture of works all being carried out at once. For example, external wall installations might be installed along with window replacements.

This was a much more common experience for leaseholders than it was for tenants, with almost half of the former having received some major works during the current repairs contract, compared to only a fifth of tenants (47% and 22% respectively).

The key positives that these respondents took away from the experience was simply that they had no problems, with minimal disruption. However, it was pleasing to see that one in ten specifically noted the quality of the work, for example:

“We had little inconvenience really, it was done well and looks great”

“Not a mega problem but involved several workers who did a good job. They were cheerful and obviously enjoyed their work.”

“Massive difference to our homes, modern etc.”

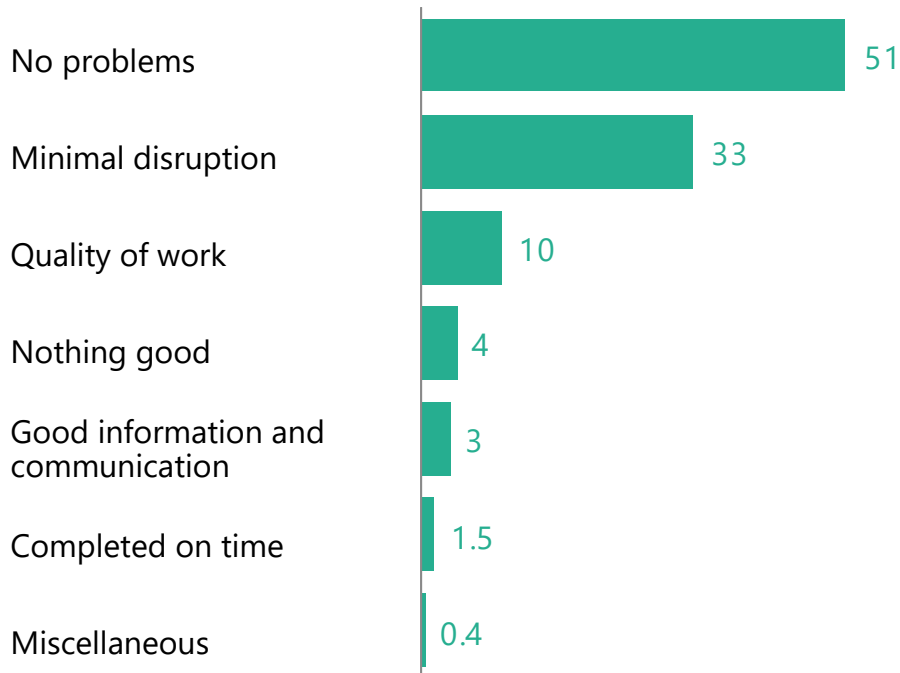
Indeed, only 6% of those that commented said that it was important in the future for the standard of the work to be improved.

As can be seen in chart 5.3, the issue that absolutely dominated all others when respondents were considering how major works could be improved was for the Council to do more to involve customers and to make use of their feedback. The fact that a massive 84% of comments fitted into this category largely pushed all other issues to the margins, as it did on the other similar questions regarding responsive repairs (section 4) and internal improvements (section 6).

5. Large scale external works

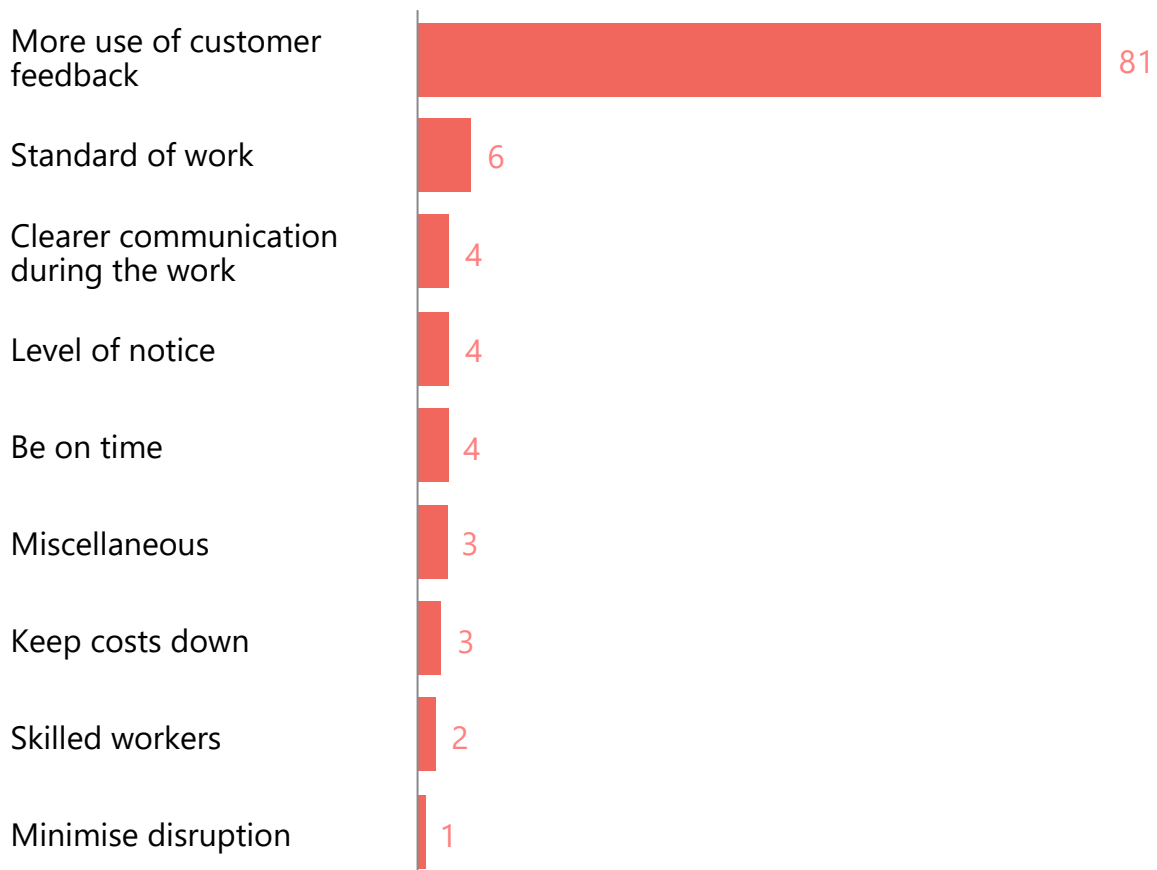
5.2 What did you like about the way major external improvement works were delivered to your block?

% Base 259 | Only includes respondents that received this work and commented. Coded from verbatim comments.



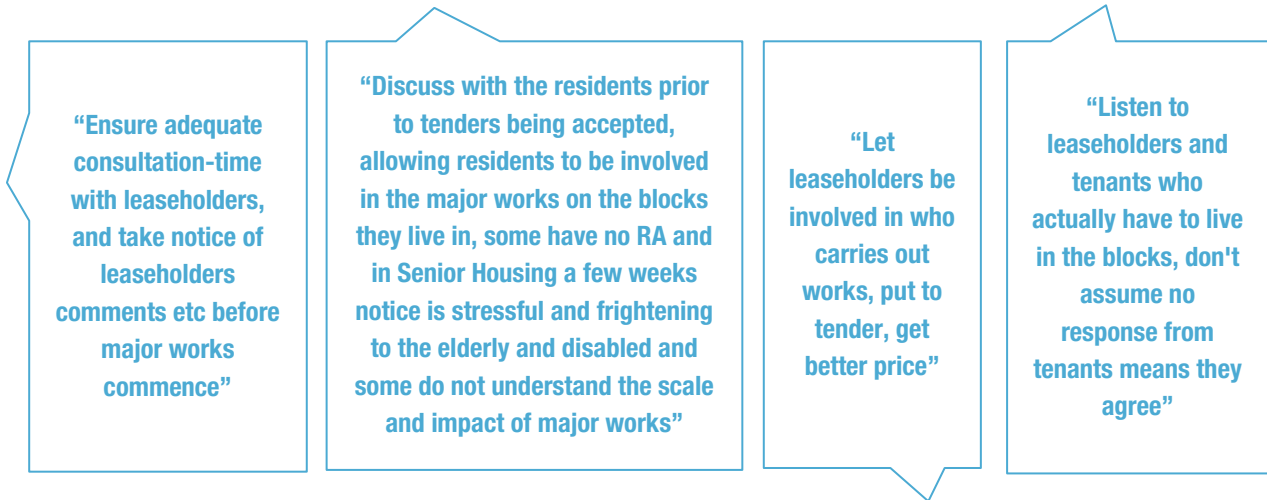
5.3 What could we do to improve the way major external improvement works are delivered to blocks?

% Base 469 | Only includes respondents that commented. Coded from verbatim comments.



5. Large scale external works

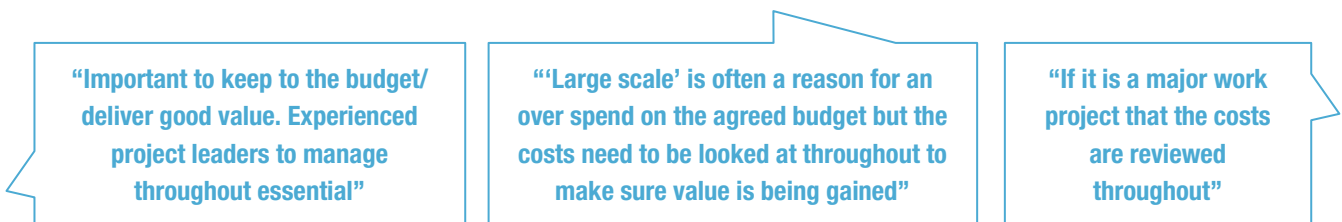
As elsewhere, this mostly included mention of surveys and feedback forms, but some of the more detailed comments included:



Moving on to consider what matters most to tenants and residents when these works are being completed, it would seem that timeliness was the key factor, mentioned in over half of the total comments (55%).



After this though, the two types of customers diverged somewhat as can be seen in table 5.5, with tenants being more likely to focus on the standard of the work (26%), whereas for leaseholders it was more critical that work be well managed (27%) delivered on budget (32%).

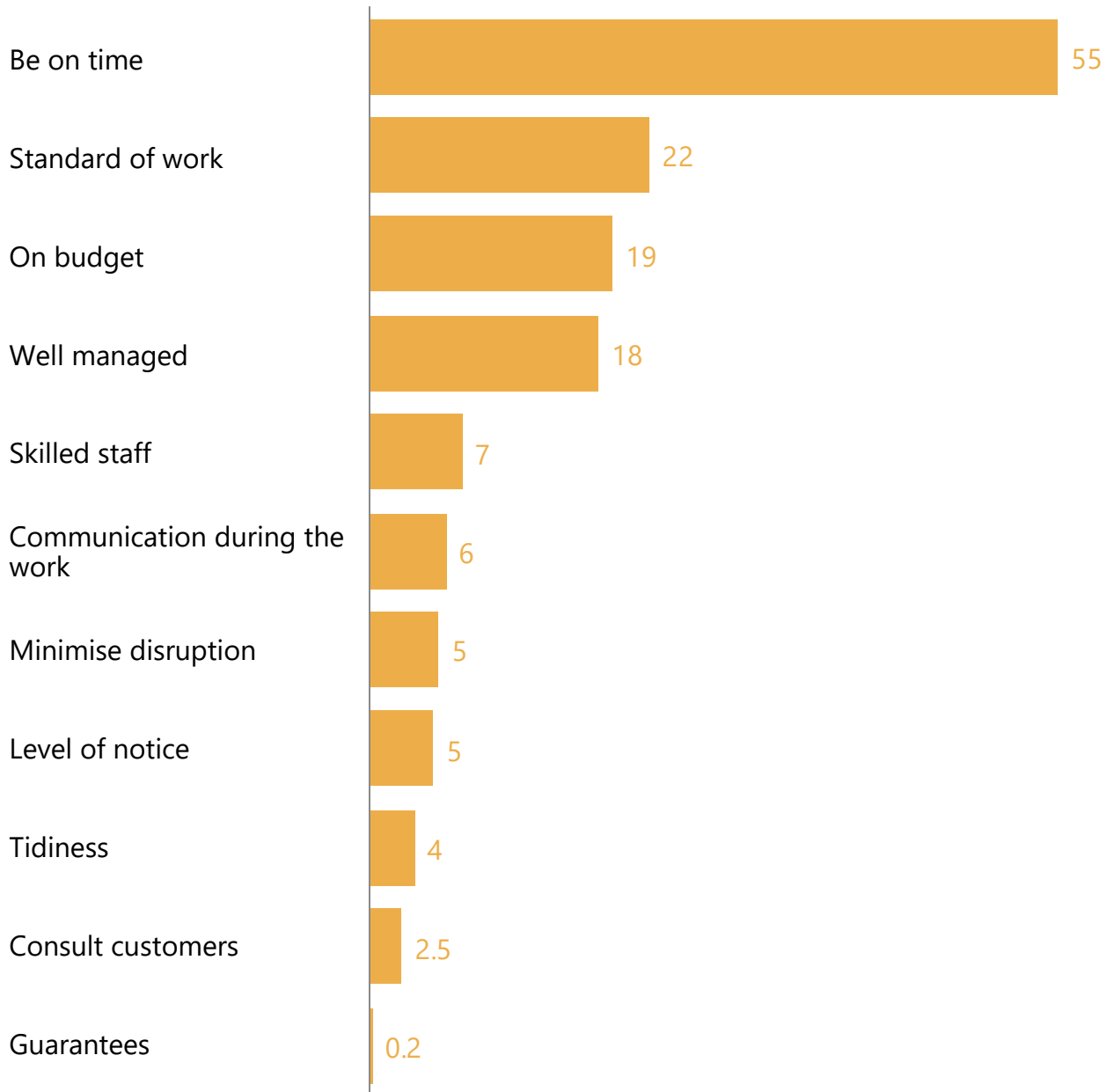


A difference between two groups is usually considered statistically significant if chance could explain it only 5% of the time or less.

5. Large scale external works

5.4 What matters most to you when we carry out large scale works?

% Base 474 | Only includes respondents that commented. Coded from verbatim comments.



5. Large scale external works

5.5 What matters most to when we carry out large scale works by stock

% Base 474 | Only includes respondents that commented. Coded from verbatim comments.

	% positive		
	Overall	Tenants	Lease holders
Be on time	55	56	53
Standard of work	22	26	13
On budget	19	15	32
Well managed	18	15	27
Skilled staff	7	9	2
Communication during the work	6	6	6
Minimise disruption	5	6	3
Level of notice	5	6	2
Tidiness	4	4	3
Consult customers	3	2	4
Guarantees	0.2	0.0	0.8

Significantly **lower** than average (95% confidence*)

Significantly **lower** than average (90% confidence*)

Significantly **higher** than average (95% confidence*)

Significantly **higher** than average (90% confidence*)

* See appendix A for further information on statistical tests and confidence levels



6. Internal replacement works

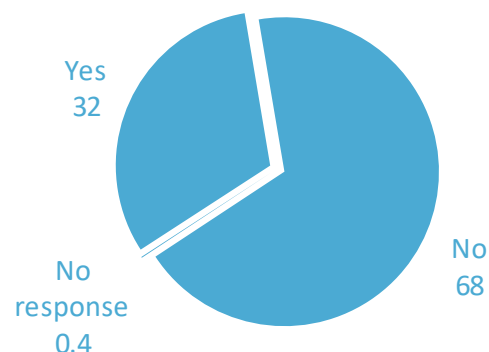


In addition to major external works discussed in the previous section, tenants may also have internal improvement works carried out to their home in order to renew major components such as the kitchen or bathroom. Around a third of tenants had indeed had some planned improvement work completed during the current contract period, and this group were asked how satisfied they were with the works.

As can be seen from the graph below, satisfaction was incredibly high at 96%, including over three quarters that were 'very satisfied', which was so high as to preclude many differences between groups. In fact, the only one of any note was that the under 35s were less likely to be 'very satisfied' than other tenants (68% v 78% average).

6.1 Major internal works in the last 8 yrs?

Tenants % Base 945 | Excludes non-respondents



6. Internal replacement works

The results were again virtually identical when respondents were asked to rate the communication they had with the Council over the improvement to their home, with 95% being satisfied in this instance.

As was true for the other two main service areas, timeliness was also what seemed to matter most for tenants regarding any improvement works to their home (49%), somewhat ahead of the standard of the work which was the second most frequently mentioned priority (36%).

Indeed, what is most notable about chart 6.5 is actually the fact that 17% of the comments suggested that the simple fact improvement work was taking place was in itself what mattered most, for example:

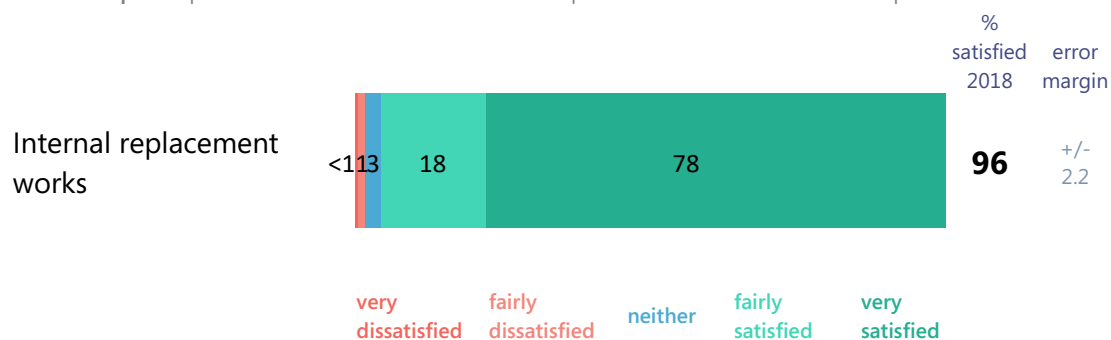


In a now familiar pattern, the vast majority of ideas for how the Council could improve on this aspect of the service was again to make more use of customer feedback, which comprised 85% of the verbatim answers to this question. Indeed, this was sometimes also linked with the second most commonly cited idea, which was for the Council to simply focus on continuous improvement:



6.2 Overall satisfaction with the internal replacement works

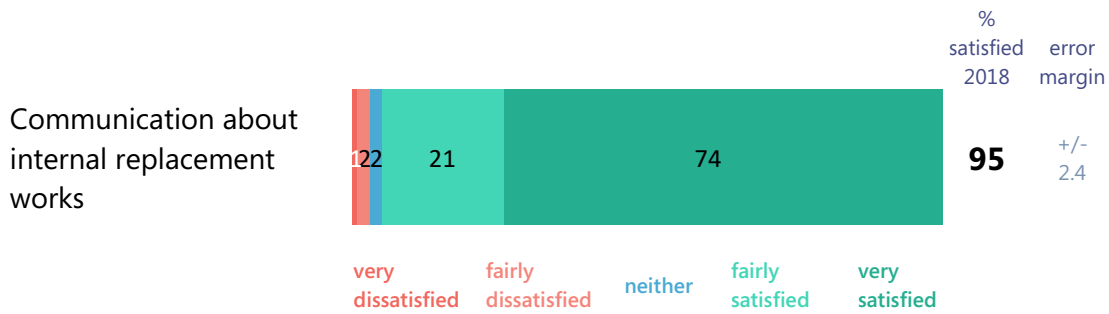
% Base 306 | All respondents who have had some internal replacement works. Excludes non respondents



6. Internal replacement works

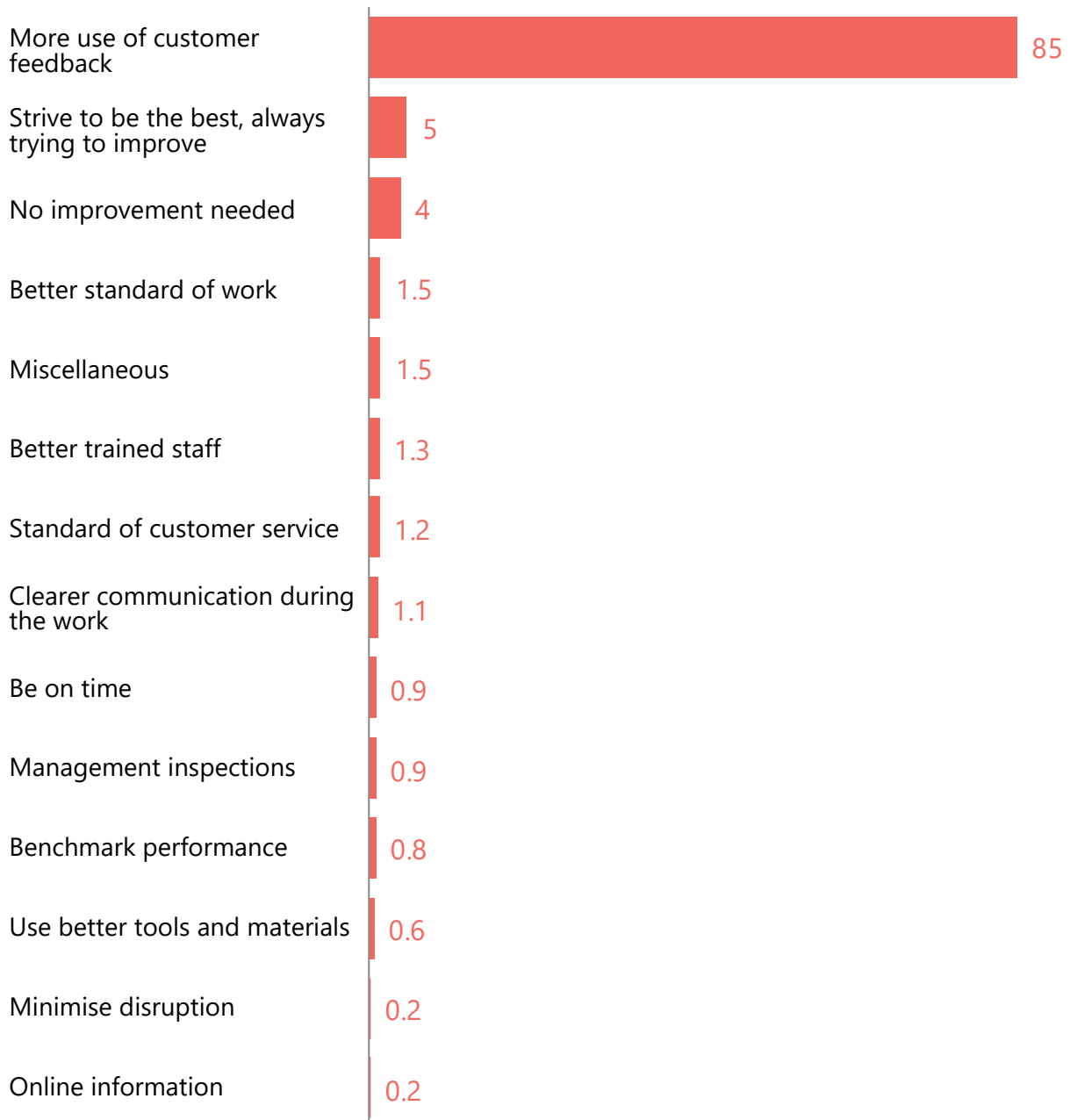
6.3 Overall satisfaction with the communication about internal works

% Base 306 | All respondents who have had some internal replacement works. Excludes non respondents



6.4 What could the Council do that would improve the way these types of works are delivered in the future?

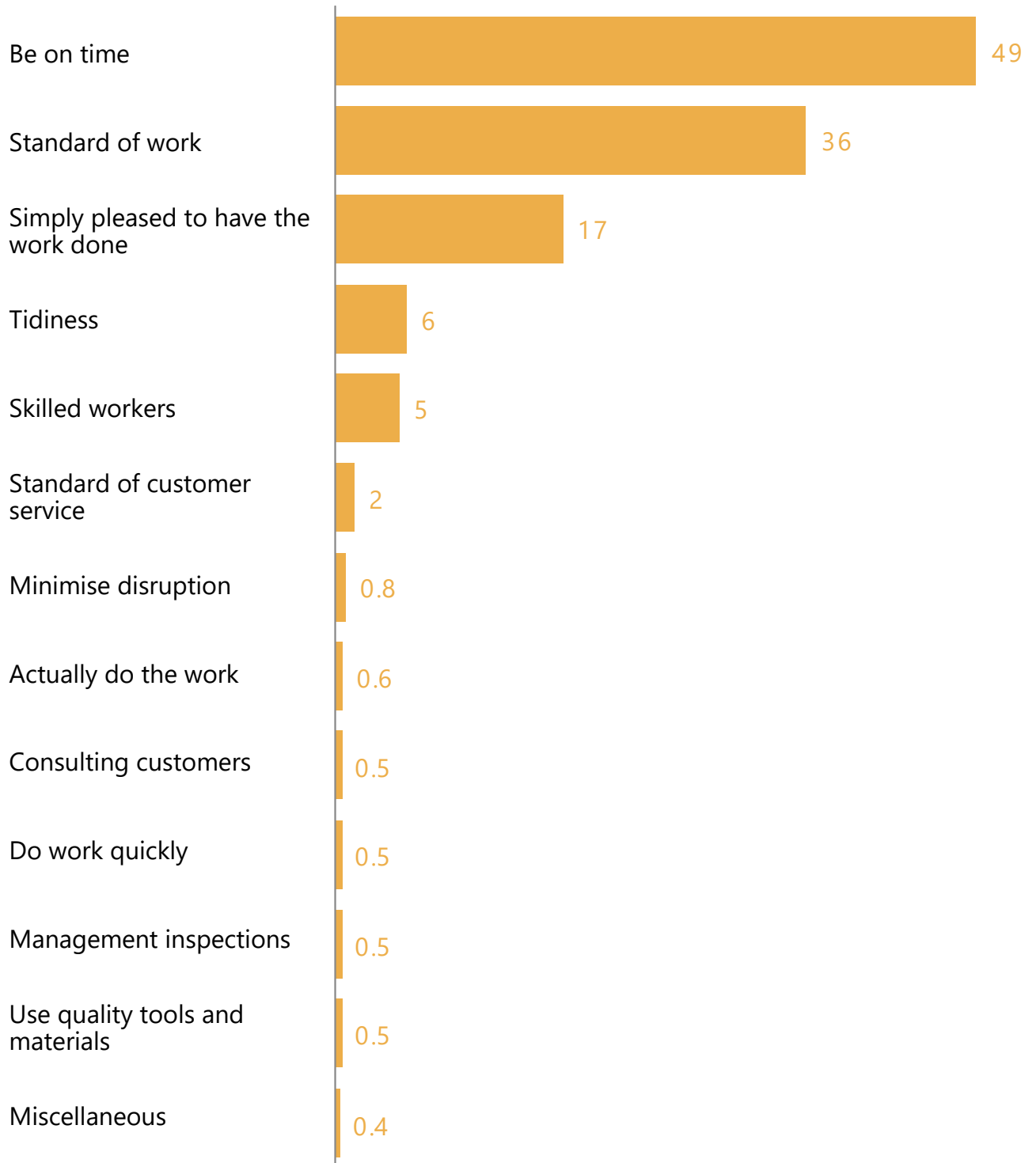
% Base 890 | Only includes respondents that commented. Coded from verbatim comments.



6. Internal replacement works

6.5 What matters to you most about how we carry out these works?

% Base 850 | Only includes respondents that commented. Coded from verbatim comments.





7. Further comments

At the end of the survey respondents were asked if there was anything else that they would like to say about the future of the repairs and maintenance services.

In keeping with the key theme throughout this research on customer feedback and consultation, over two thirds of tenants and residents that commented said that they wanted the Council to publicise the findings of this survey (70%), whilst a further fifth (21%) wished to see more information in the future on both the contract tendering process, and the final decision. These findings were reasonably consistent across the survey subgroups, including between tenants and leaseholders.

“Publish these results. More info about Mears and how they have managed the contract so far”

“Social media for the results, more about how the new 10 year deal is commissioned”

“Reports to read in newspaper/social media/ internet. More details about the tendering. Who else might be in the frame for the work?”

“Publish results? More info available about the tendering process. How we can comment about the tendering process?”

“More info about the tendering/consultation always welcomed. Look forward to seeing some info on this survey too”

“Perhaps a leaflet drop or something to tell us more about the tendering and the results of this survey. Thanks for seeking our views”

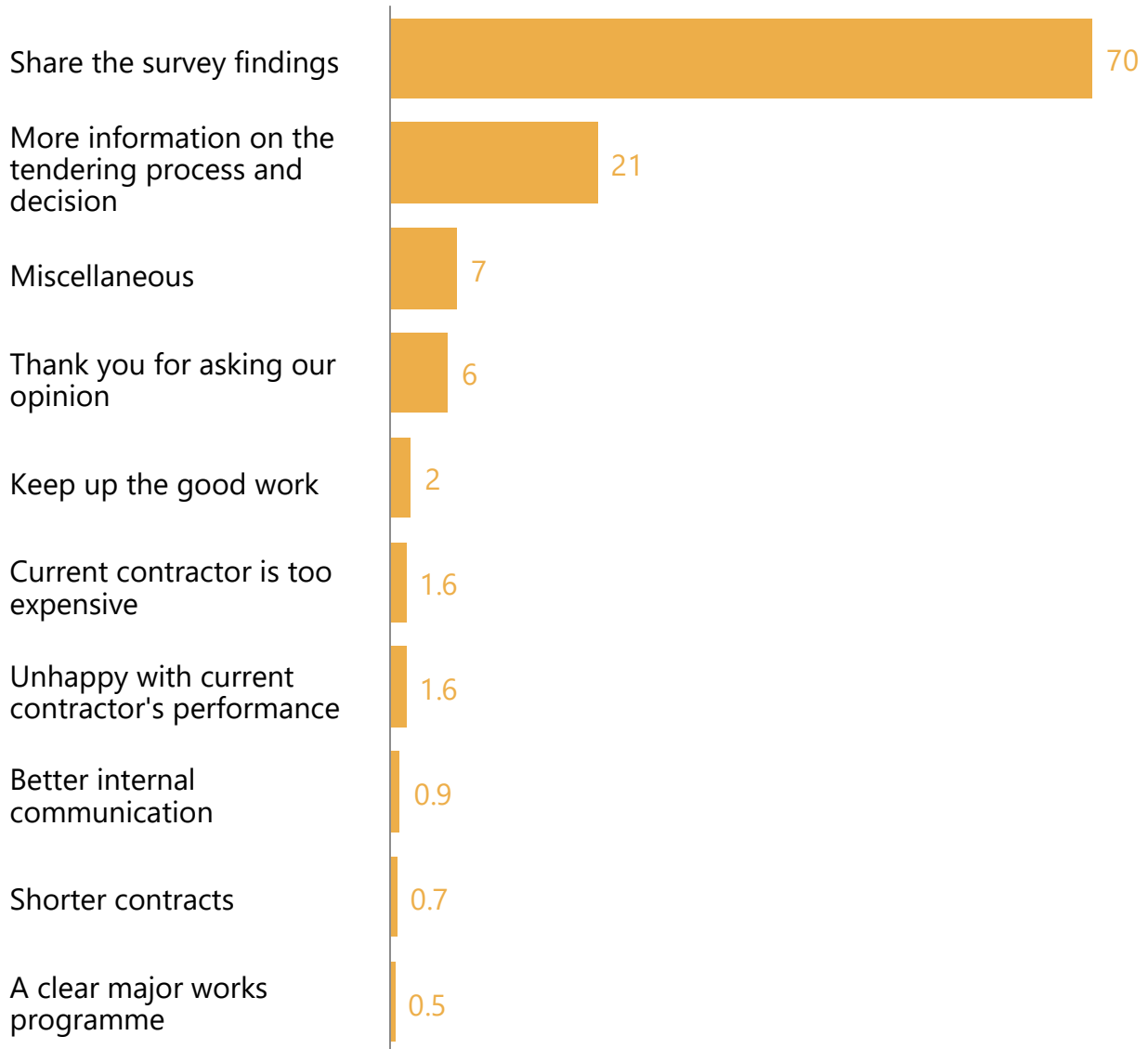
“Thanks for seeking my views. Publish the results?”

“Reporting on the consultation. Info about the tendering process. A chance to have our say on who the tender is awarded to”

7. Further comments

7.1 Is there anything else that you would like to feedback to us about the future of all services?

% Base 437 | Only includes respondents that commented. Coded from verbatim comments.





8. Respondent profile

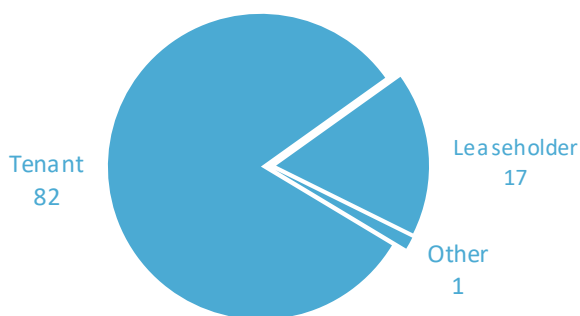
8.1 Ward

% Base 1160

	Total	%
East Brighton	125	10.8
Hanover & Elm Grove	148	12.8
Hangleton & Knoll	150	12.9
Hollingdean & Stanmere	135	11.6
Moulsecoomb & Bevendean	136	11.7
North Portslade	71	6.1
Queen's park	136	11.7
South Portslade	24	2.1
Woodingdean	27	2.3
Wish	138	11.9
No response	70	6.0

8.2 Stock

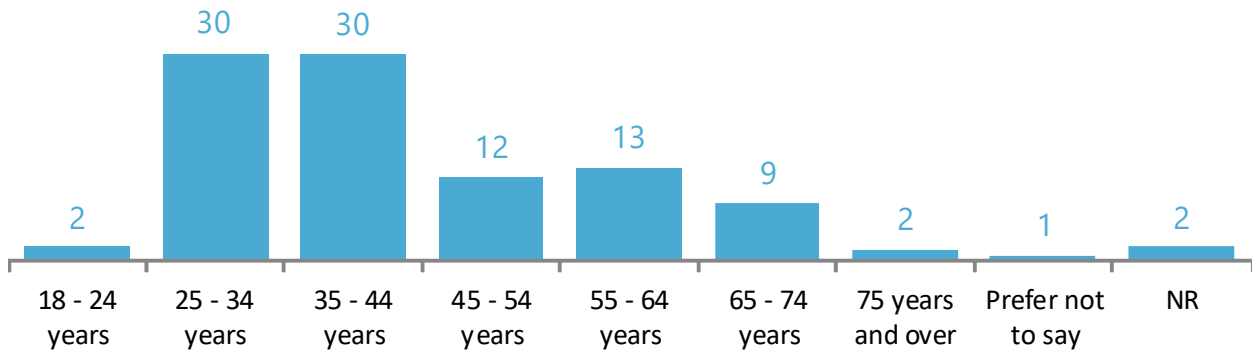
% Base 1160



8. Respondent profile

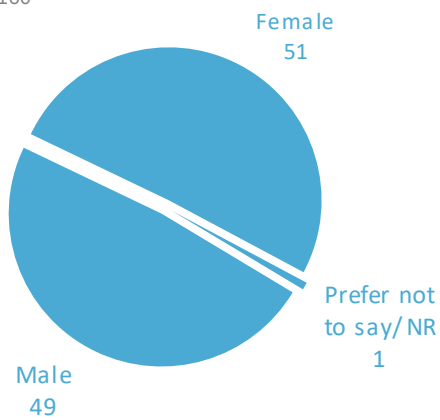
8.3 Age

% Base 1160



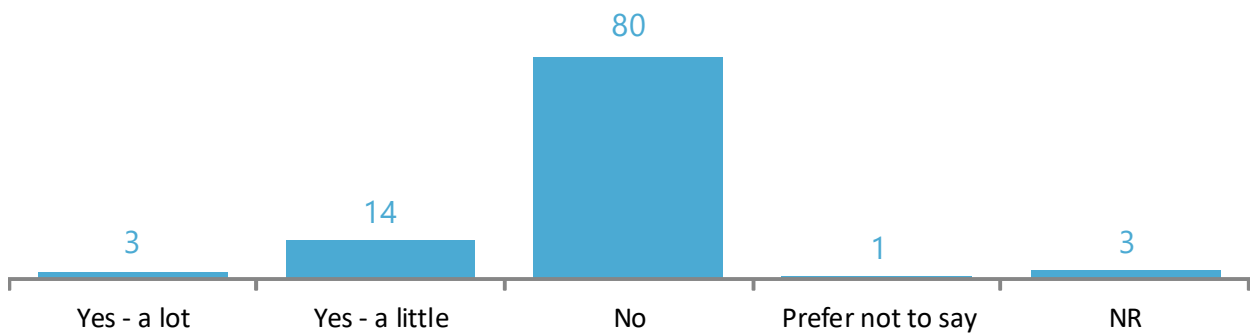
8.4 Gender

% Base 1160



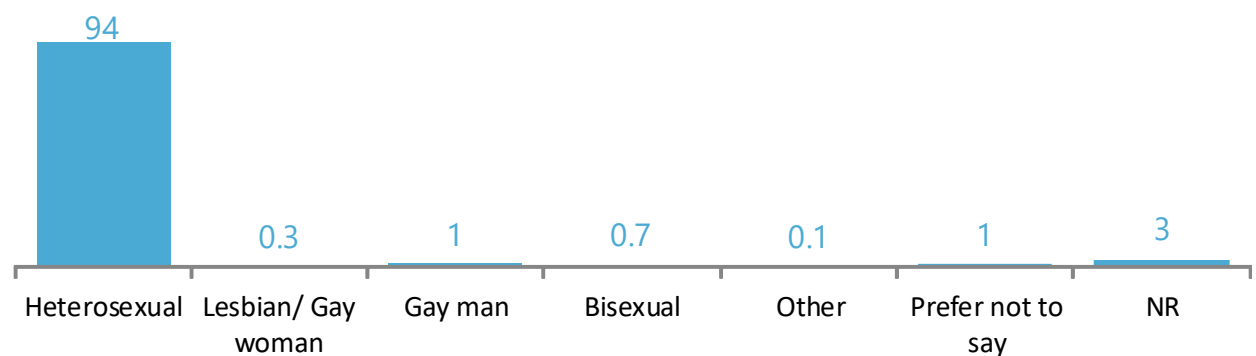
8.5 Disability

% Base 1160



8.6 Sexual orientation

% Base 1160

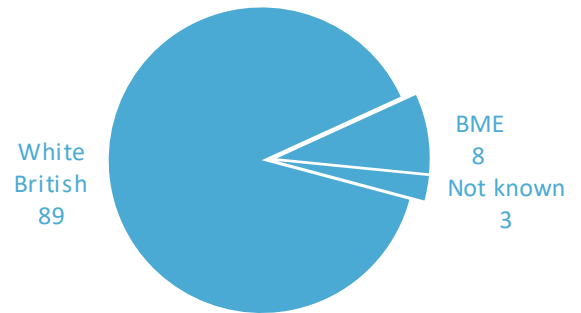


8. Respondent profile

8.7 Ethnic background

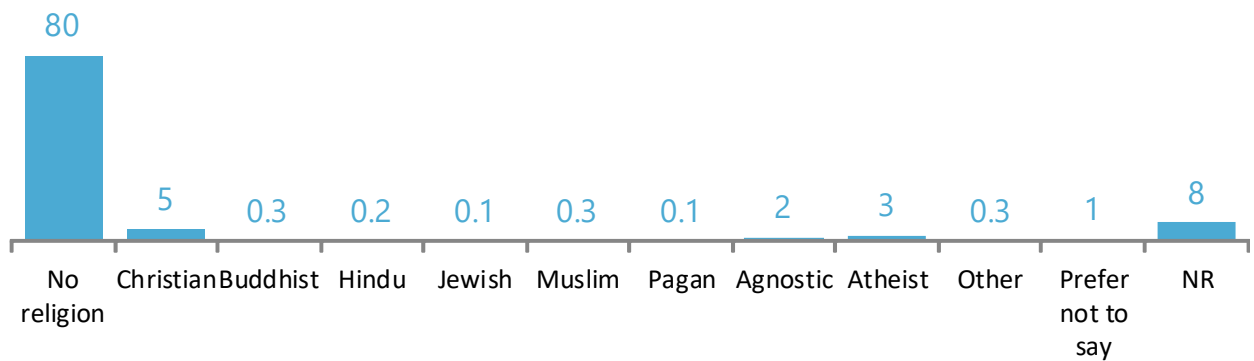
% Base 1160

	%
White	
English/Welsh/Scottish/Northern Irish/British	89.1
Irish	1.5
Gypsy or Irish Traveller	0.1
Any other White background	1.4
Mixed	
White and Black Caribbean	0.5
White and Black African	0.4
White and Asian	0.1
Any other Mixed background	0.0
Asian or Asian British	
Indian	0.9
Pakistani	0.3
Bangladeshi	0.0
Chinese	0.4
Any other Asian background	0.0
Black or Black British	
African	1.0
Caribbean	0.5
Any other Black background	0.0
Other	
Arab	1.1
Not known	2.6



8.8 Religion

% Base 1160





Appendix A. Methodology & data analysis

Fieldwork

The consultation period ran throughout July and ended on the 14 August 2018. Background information was available on the Council's website, along with an online questionnaire. In addition, in-home interviews were also conducted by contractors on behalf of the Council with a wide cross section of tenants and leaseholders. In total, 1,160 individuals took part in the consultation, including 1090 by interview and 70 online. This included 945 Council tenants (error margin +/- 3.1), 200 resident leaseholders (error margin +/- 6.6), a 15 others with a variety of other tenure types.

Data presentation

Readers should take care when considering percentage results from some of the sub groups within the main sample, as the base figures may sometimes be small.

Many results are recalculated to remove 'no opinion' or 'can't remember' responses from the final figures, a technique known as 're-basing'.

Error Margins

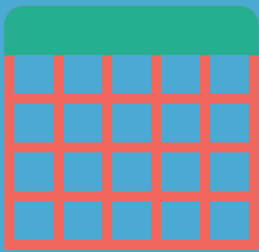
Error margins for the sample overall, and for individual questions, are the amount by which a result might vary due to chance. The error margins in the results are quoted at the standard 95% level and are determined by the sample size and the distribution of scores. When comparing two sets of scores, it is important to remember that error margins will apply independently to each.

Tests of statistical significance

When two sets of survey data are compared to one another (e.g. between different years, or demographic sub groups), the observed differences are typically tested for statistical significance. Differences that are significant can be said, with a high degree of confidence, to be real variations that are unlikely to be due to chance. Any differences that are not significant *may* still be real, especially when a number of different questions all demonstrate the same pattern, but this cannot be stated with statistical confidence and may just be due to chance.

Unless otherwise stated, all statistically significant differences are reported at the 95% confidence level. Tests used were the Wilcoxon-Mann-Whitney test (rating scales), Fischer Exact Probability test (small samples) and the Pearson Chi Square test (larger samples) as appropriate for the data being examined. These calculations rely on a number of factors such as the base figure and the level of variance, both within and between sample groups, thereby taking into account more than just the simple difference between the headline percentage scores. This means that some results are reported as significant despite being superficially similar to others that are not. Conversely, some seemingly notable differences in two sets of headline scores are not enough to signal a significant change in the underlying pattern across all points in the scale. For example:

- Two satisfaction ratings might have the same or similar *total* satisfaction score, but be quite different when one considers the detailed results for the proportion *very satisfied* versus *fairly satisfied*.
- There may also be a change in the proportions who were *very* or *fairly* dissatisfied, or ticked the middle point in the scale, which is not apparent from the headline score.
- In rare cases there are complex changes across the scale that are difficult to categorise e.g. in a single question one might simultaneously observe a disappointing shift from *very* to *fairly* satisfied, at the same time as their being a welcome shift from *very dissatisfied* to *neither*.
- If the results included a relatively small number of people then the error margins are bigger. This means that the *combined* error margins for the two ratings being compared might be bigger than the observed difference between them.



Appendix B. Data summary

Please note that throughout the report the quoted results typically refer to the 'valid' column of the data summary if it appears.

The 'valid' column contains data that has been rebased, normally because non-respondents were excluded and/or question routing applied.

Appendix B. Data summary

		All respondents			Tenants			Leaseholders		
		Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
Q1 In the last 12 months, have you had to contact the repairs desk to report a repair in your property or communal area?		<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
1:	Yes	238	20.5		198	21.0		33	16.5	
2:	No	922	79.5		747	79.0		167	83.5	
	N/R	0	0.0		0	0.0		0	0.0	
Q2 Thinking about when you last contacted the repairs desk, do you feel that the call handler understood the issue you were reporting?		<i>Base: 238</i>			<i>Base: 198</i>			<i>Base: 33</i>		
3:	Yes	216	18.6	90.8	188	19.9	94.9	27	13.5	81.8
4:	No	15	1.3	6.3	8	0.8	4.0	2	1.0	6.1
5:	Don't know / not sure	6	0.5	2.5	2	0.2	1.0	3	1.5	9.1
	N/R	923	79.6	0.4	747	79.0	0.0	168	84.0	3.0
Q3 Thinking about when you last contacted the repairs desk, overall how would you describe the standard of customer service you received from the repairs desk?		<i>Base: 238</i>			<i>Base: 198</i>			<i>Base: 33</i>		
6:	Very good	169	14.6	71.0	153	16.2	77.3	15	7.5	45.5
7:	Fairly good	34	2.9	14.3	25	2.6	12.6	9	4.5	27.3
8:	Neither	19	1.6	8.0	13	1.4	6.6	5	2.5	15.2
9:	Fairly poor	10	0.9	4.2	6	0.6	3.0	2	1.0	6.1
10:	Very poor	6	0.5	2.5	1	0.1	0.5	2	1.0	6.1
	N/R	922	79.5	0.0	747	79.0	0.0	167	83.5	0.0
Q4 Thinking about when you last contacted the repairs desk, how easy or difficult was it for you to access the service?		<i>Base: 238</i>			<i>Base: 198</i>			<i>Base: 33</i>		
11:	Very easy	155	13.4	65.1	137	14.5	69.2	17	8.5	51.5
12:	Fairly easy	58	5.0	24.4	47	5.0	23.7	11	5.5	33.3
13:	Neither	18	1.6	7.6	12	1.3	6.1	3	1.5	9.1
14:	Fairly difficult	6	0.5	2.5	1	0.1	0.5	2	1.0	6.1
15:	Very difficult	1	0.1	0.4	1	0.1	0.5	0	0.0	0.0
	N/R	922	79.5	0.0	747	79.0	0.0	167	83.5	0.0
Q5 Would an online reporting service make it easier for you to report any repairs?		<i>Base: 238</i>			<i>Base: 198</i>			<i>Base: 33</i>		
16:	Yes	181	15.6	76.1	155	16.4	78.3	23	11.5	69.7
17:	No	32	2.8	13.4	25	2.6	12.6	5	2.5	15.2
18:	Don't know / not sure	25	2.2	10.5	18	1.9	9.1	5	2.5	15.2
	N/R	922	79.5	0.0	747	79.0	0.0	167	83.5	0.0
R6 What would you suggest we could do to improve your experience of contacting the repairs helpdesk?		<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
19:	Be more polite	10	0.9		7	0.7		3	1.5	
20:	Keep the phone helpdesk	16	1.4		15	1.6		1	0.5	
21:	Measure satisfaction	3	0.3		3	0.3		0	0.0	
22:	Miscellaneous	9	0.8		5	0.5		4	2.0	
23:	More call handlers	2	0.2		1	0.1		1	0.5	
24:	No improvement needed	80	6.9		69	7.3		10	5.0	
25:	Online portal	39	3.4		33	3.5		4	2.0	
26:	Repairs tracking	12	1.0		2	0.2		7	3.5	
27:	Smartphone App	52	4.5		45	4.8		7	3.5	
28:	Speed up the process	4	0.3		3	0.3		1	0.5	
29:	Staff to be more knowledgeable	7	0.6		4	0.4		2	1.0	
	N/R	946	81.6		770	81.5		168	84.0	

Appendix B. Data summary

		All respondents			Tenants			Leaseholders		
		Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
R7 What are the main things that are important to you about how we deliver this part of the service?		<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
30:	A quick process	93	8.0		59	6.2		33	16.5	
31:	Accuracy	155	13.4		138	14.6		16	8.0	
32:	Arrange a date	246	21.2		168	17.8		78	39.0	
33:	Be on time	15	1.3		14	1.5		1	0.5	
34:	Clear explanation of next steps	92	7.9		80	8.5		11	5.5	
35:	Easy to access and use	156	13.4		122	12.9		32	16.0	
36:	Empathy and support	262	22.6		232	24.6		28	14.0	
37:	Helpful attitude	273	23.5		228	24.1		41	20.5	
38:	Keep the phone helpdesk	16	1.4		14	1.5		2	1.0	
39:	Keep up the good work	17	1.5		14	1.5		3	1.5	
40:	Listening carefully	65	5.6		61	6.5		4	2.0	
41:	Miscellaneous	13	1.1		7	0.7		3	1.5	
42:	Online portal	37	3.2		33	3.5		4	2.0	
43:	Polite and friendly	102	8.8		81	8.6		18	9.0	
44:	Safety	2	0.2		1	0.1		1	0.5	
45:	Smartphone app	26	2.2		19	2.0		7	3.5	
46:	Trained and knowledgeable staff	46	4.0		38	4.0		7	3.5	
	N/R	104	9.0		95	10.1		7	3.5	
Q8 Have you had to report any repairs in the last 3 years?		<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
47:	Yes	498	42.9		412	43.6		78	39.0	
48:	No	660	56.9		531	56.2		122	61.0	
	N/R	2	0.2		2	0.2		0	0.0	
Q9 Overall how satisfied or dissatisfied are you with the repairs service you have received?		<i>Base: 498</i>			<i>Base: 412</i>			<i>Base: 78</i>		
49:	Very satisfied	327	28.2	65.7	282	29.8	68.4	44	22.0	56.4
50:	Fairly satisfied	115	9.9	23.1	99	10.5	24.0	16	8.0	20.5
51:	Neither	15	1.3	3.0	9	1.0	2.2	5	2.5	6.4
52:	Fairly dissatisfied	21	1.8	4.2	12	1.3	2.9	7	3.5	9.0
53:	Very dissatisfied	20	1.7	4.0	10	1.1	2.4	6	3.0	7.7
	N/R	662	57.1	0.0	533	56.4	0.0	122	61.0	0.0
R10 What matters to you most about how we carry out repairs to your home?		<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
54:	Be on time	548	47.2		464	49.1		77	38.5	
55:	Communication during the work	17	1.5		12	1.3		4	2.0	
56:	Consult customers	11	0.9		10	1.1		1	0.5	
57:	Do work quickly	6	0.5		5	0.5		1	0.5	
58:	Keep up the good work	69	5.9		65	6.9		4	2.0	
59:	Miscellaneous	4	0.3		1	0.1		3	1.5	
60:	Minimise disruption	5	0.4		4	0.4		1	0.5	
61:	Right first time	7	0.6		5	0.5		2	1.0	
62:	Skilled staff	163	14.1		128	13.5		33	16.5	
63:	Standard of customer service	54	4.7		47	5.0		7	3.5	
64:	Standard of work	466	40.2		360	38.1		97	48.5	
65:	Tidiness	125	10.8		90	9.5		35	17.5	
66:	Use quality tools and materials	37	3.2		25	2.6		11	5.5	
67:	Value for money	19	1.6		1	0.1		16	8.0	
	N/R	101	8.7		88	9.3		10	5.0	
R11 What do you think the council could do that would improve it's repairs and maintenance services?		<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
68:	Benchmark performance	15	1.3		15	1.6		0	0.0	
69:	Change contractors	13	1.1		5	0.5		4	2.0	
70:	Clearer communication during the work	11	0.9		7	0.7		3	1.5	
71:	Consult customers	871	75.1		714	75.6		151	75.5	

Appendix B. Data summary

	All respondents			Tenants			Leaseholders		
	Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
72: Customer care programme	29	2.5		21	2.2		8	4.0	
73: Keep up the good work	7	0.6		7	0.7		0	0.0	
74: Management inspections	25	2.2		22	2.3		2	1.0	
75: Miscellaneous	13	1.1		10	1.1		3	1.5	
76: Online portal	2	0.2		2	0.2		0	0.0	
77: Skilled staff	12	1.0		11	1.2		1	0.5	
78: Standard of customer service	18	1.6		9	1.0		8	4.0	
79: Standard of work	9	0.8		8	0.8		0	0.0	
80: Strive to be the best, always trying to improve	37	3.2		32	3.4		5	2.5	
81: Value for money	7	0.6		1	0.1		4	2.0	
N/R	123	10.6		107	11.3		13	6.5	
Q12 Has the council carried out major external works on your block during the last 8 years?									
	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
82: Yes	305	26.3		203	21.5		94	47.0	
83: No	329	28.4		289	30.6		38	19.0	
84: Don't know / not sure	240	20.7		182	19.3		56	28.0	
85: Not applicable	284	24.5		269	28.5		12	6.0	
N/R	2	0.2		2	0.2		0	0.0	
R13 What did you like about the way the major external improvement works were delivered to your block?									
	<i>Base: 305</i>			<i>Base: 203</i>			<i>Base: 94</i>		
86: Completed on time	4	0.3	1.3	2	0.2	1.0	2	1.0	2.1
87: Good information and communication	9	0.8	3.0	6	0.6	3.0	3	1.5	3.2
88: Minimal disruption	85	7.3	27.9	61	6.5	30.0	24	12.0	25.5
89: Miscellaneous	1	0.1	0.3	1	0.1	0.5	0	0.0	0.0
90: No problems	134	11.6	43.9	90	9.5	44.3	43	21.5	45.7
91: Nothing good	14	1.2	4.6	5	0.5	2.5	6	3.0	6.4
92: Quality of work	25	2.2	8.2	19	2.0	9.4	6	3.0	6.4
N/R	897	77.3	13.8	769	81.4	13.3	117	58.5	11.7
R14 What do you think the council could do that would improve the ways major external improvement works are delivered to blocks in the future?									
	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
93: Be on time	17	1.5		16	1.7		1	0.5	
94: Clearer communication during the work	19	1.6		16	1.7		2	1.0	
95: Keep costs down	15	1.3		8	0.8		5	2.5	
96: Level of notice	19	1.6		16	1.7		2	1.0	
97: Minimise disruption	4	0.3		3	0.3		1	0.5	
98: Miscellaneous	18	1.6		9	1.0		7	3.5	
99: More use of customer feedback	383	33.0		279	29.5		101	50.5	
100: Skilled workers	11	0.9		8	0.8		2	1.0	
101: Standard of work	30	2.6		28	3.0		2	1.0	
N/R	682	58.8		594	62.9		82	41.0	
R15 What matters to you most about how we carry out large scale works to your home?									
	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
102: Be on time	262	22.6		200	21.2		62	31.0	
103: Communication during the work	29	2.5		22	2.3		7	3.5	
104: Consult customers	12	1.0		7	0.7		5	2.5	
105: Guarantees	2	0.2		0	0.0		1	0.5	
106: Level of notice	26	2.2		22	2.3		2	1.0	
107: Minimise disruption	27	2.3		23	2.4		3	1.5	
108: On budget	93	8.0		54	5.7		38	19.0	
109: Skilled staff	36	3.1		33	3.5		2	1.0	
110: Standard of work	108	9.3		91	9.6		15	7.5	
111: Tidiness	17	1.5		13	1.4		4	2.0	
112: Well managed	89	7.7		55	5.8		32	16.0	
N/R	678	58.4		589	62.3		82	41.0	

Appendix B. Data summary

	All respondents			Tenants			Leaseholders		
	Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
Q16 Have you had any internal replacement works like the examples given above in your home in the last 8 years?	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
113: Yes	307	26.5		298	31.5		8	4.0	
114: No	827	71.3		646	68.4		174	87.0	
N/R	26	2.2		1	0.1		18	9.0	
Q17 Generally, how satisfied or dissatisfied were you with the way we delivered these works?	<i>Base: 307</i>			<i>Base: 298</i>			<i>Base: 8</i>		
115: Very satisfied	239	20.6	78.1	232	24.6	77.9	6	3.0	85.7
116: Fairly satisfied	54	4.7	17.6	53	5.6	17.8	1	0.5	14.3
117: Neither	9	0.8	2.9	9	1.0	3.0	0	0.0	0.0
118: Fairly dissatisfied	3	0.3	1.0	3	0.3	1.0	0	0.0	0.0
119: Very dissatisfied	1	0.1	0.3	1	0.1	0.3	0	0.0	0.0
N/R	854	73.6	0.3	647	68.5	0.0	193	96.5	12.5
Q18 How satisfied or dissatisfied were you with the communication you received about these works delivered in your home?	<i>Base: 307</i>			<i>Base: 298</i>			<i>Base: 8</i>		
120: Very satisfied	227	19.6	74.2	221	23.4	74.2	6	3.0	85.7
121: Fairly satisfied	63	5.4	20.6	61	6.5	20.5	1	0.5	14.3
122: Neither	7	0.6	2.3	7	0.7	2.3	0	0.0	0.0
123: Fairly dissatisfied	6	0.5	2.0	6	0.6	2.0	0	0.0	0.0
124: Very dissatisfied	3	0.3	1.0	3	0.3	1.0	0	0.0	0.0
N/R	854	73.6	0.3	647	68.5	0.0	193	96.5	12.5
R19 What do you think the council could do that would improve the way these types of works are delivered in the future?	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
125: Be on time	8	0.7		8	0.8		0	0.0	
126: Benchmark performance	7	0.6		7	0.7		0	0.0	
127: Better standard of work	13	1.1		13	1.4		0	0.0	
128: Better trained staff	12	1.0		12	1.3		0	0.0	
129: Clearer communication during the work	10	0.9		9	1.0		1	0.5	
130: Management inspections	8	0.7		8	0.8		0	0.0	
131: Minimise disruption	2	0.2		2	0.2		0	0.0	
132: Miscellaneous	13	1.1		13	1.4		0	0.0	
133: More use of customer feedback	755	65.1		688	72.8		66	33.0	
134: No improvement needed	37	3.2		36	3.8		1	0.5	
135: Online information	2	0.2		2	0.2		0	0.0	
136: Standard of customer service	11	0.9		10	1.1		1	0.5	
137: Strive to be the best, always trying to improve	45	3.9		42	4.4		2	1.0	
138: Use better tools and materials	5	0.4		4	0.4		1	0.5	
N/R	269	23.2		127	13.4		128	64.0	
R20 What matters to you most about how we carry out these works to your home?	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
139: Actually do the work	5	0.4		4	0.4		1	0.5	
140: Be on time	418	36.0		378	40.0		40	20.0	
141: Consulting customers	4	0.3		4	0.4		0	0.0	
142: Do work quickly	4	0.3		4	0.4		0	0.0	
143: Management inspections	4	0.3		4	0.4		0	0.0	
144: Minimise disruption	7	0.6		7	0.7		0	0.0	
145: Miscellaneous	3	0.3		3	0.3		0	0.0	
146: Simply pleased to have the work done	148	12.8		147	15.6		1	0.5	
147: Skilled workers	42	3.6		38	4.0		4	2.0	
148: Standard of customer service	13	1.1		13	1.4		0	0.0	
149: Standard of work	307	26.5		275	29.1		32	16.0	
150: Tidiness	48	4.1		32	3.4		15	7.5	
151: Use quality tools and materials	4	0.3		4	0.4		0	0.0	

Appendix B. Data summary

	All respondents			Tenants			Leaseholders		
	Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
N/R	309	26.6		167	17.7		128	64.0	
R21 Is there anything else that you would like to feedback to us about the future of all services covered in this survey?	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
152: A clear major works programme	3	0.3		0	0.0		2	1.0	
153: Better internal communication	4	0.3		4	0.4		0	0.0	
154: Current contractor is too expensive	10	0.9		1	0.1		6	3.0	
155: Keep up the good work	9	0.8		7	0.7		2	1.0	
156: Miscellaneous	30	2.6		23	2.4		6	3.0	
157: More info on the tendering process and decision	93	8.0		70	7.4		20	10.0	
158: Share the survey findings	306	26.4		247	26.1		58	29.0	
159: Shorter contracts	4	0.3		1	0.1		2	1.0	
160: Thank you for asking our opinion	25	2.2		19	2.0		6	3.0	
161: Unhappy with current contractor's performance	8	0.7		5	0.5		2	1.0	
N/R	713	61.5		598	63.3		110	55.0	
D101 Ward	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
162: East Brighton	125	10.8		110	11.6		15	7.5	
163: Hanover & Elm Grove	148	12.8		116	12.3		32	16.0	
164: Hangleton & Knoll	150	12.9		141	14.9		8	4.0	
165: Hollingdean & Stanmere	135	11.6		132	14.0		2	1.0	
166: Moulsecoomb & Bevendean	136	11.7		118	12.5		15	7.5	
167: North Portslade	71	6.1		59	6.2		11	5.5	
168: Queen's park	136	11.7		82	8.7		53	26.5	
169: South Portslade	24	2.1		19	2.0		5	2.5	
170: Woodingdean	27	2.3		25	2.6		2	1.0	
171: Wish	138	11.9		100	10.6		38	19.0	
N/R	70	6.0		43	4.6		19	9.5	
D102 Respondent type	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
172: A council tenant of Brighton & Hove City Council	945	81.5		945	100.0		0	0.0	
173: A private tenant of a leaseholder	3	0.3		0	0.0		0	0.0	
174: A resident leaseholder	200	17.2		0	0.0		200	100.0	
175: A non-resident leaseholder	6	0.5		0	0.0		0	0.0	
176: A Seaside Homes tenant	5	0.4		0	0.0		0	0.0	
177: Other	0	0.0		0	0.0		0	0.0	
N/R	1	0.1		0	0.0		0	0.0	
D102a Respondent type - simple	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
178: Tenant	945	81.5		945	100.0		0	0.0	
179: Leaseholder	200	17.2		0	0.0		200	100.0	
N/R	15	1.3		0	0.0		0	0.0	
D103 Gender	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
180: Male	563	48.5		454	48.0		100	50.0	
181: Female	588	50.7		485	51.3		97	48.5	
182: Other	0	0.0		0	0.0		0	0.0	
183: Prefer not to say	8	0.7		5	0.5		3	1.5	
N/R	1	0.1		1	0.1		0	0.0	
D104 Do you identify as the sex you were assigned at birth?	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
184: Yes	1091	94.1		890	94.2		186	93.0	
185: No	2	0.2		2	0.2		0	0.0	
186: Prefer not to say	9	0.8		7	0.7		2	1.0	
N/R	58	5.0		46	4.9		12	6.0	
D105 Age	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		

Appendix B. Data summary

	All respondents			Tenants			Leaseholders		
	Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
187: 18-24	24	2.1		23	2.4		1	0.5	
188: 25-34	346	29.8		312	33.0		32	16.0	
189: 35-44	343	29.6		244	25.8		91	45.5	
190: 45-54	140	12.1		106	11.2		33	16.5	
191: 55-64	156	13.4		126	13.3		28	14.0	
192: 65-74	99	8.5		90	9.5		7	3.5	
193: 75+	18	1.6		16	1.7		2	1.0	
194: Prefer not to say	10	0.9		6	0.6		4	2.0	
N/R	24	2.1		22	2.3		2	1.0	
D106 Age - simple	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
195: 18 - 34	370	31.9		335	35.4		33	16.5	
196: 35 - 64	639	55.1		476	50.4		152	76.0	
197: 65+	117	10.1		106	11.2		9	4.5	
198: Prefer not to say	10	0.9		6	0.6		4	2.0	
N/R	24	2.1		22	2.3		2	1.0	
D107 Ethnic background	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
199: White - British	1033	89.1		861	91.1		158	79.0	
200: White - Irish	17	1.5		13	1.4		3	1.5	
201: White - Gypsy or Irish Traveller	1	0.1		1	0.1		0	0.0	
202: White - Any other white background	16	1.4		5	0.5		11	5.5	
203: Asian or Asian British - Bangladeshi	0	0.0		0	0.0		0	0.0	
204: Asian or Asian British - Indian	11	0.9		5	0.5		6	3.0	
205: Asian or Asian British - Pakistani	4	0.3		3	0.3		1	0.5	
206: Asian or Asian British - Chinese	5	0.4		1	0.1		4	2.0	
207: Any other Asian background	0	0.0		0	0.0		0	0.0	
208: Black or Black British - African	12	1.0		10	1.1		2	1.0	
209: Black or Black British - Caribbean	6	0.5		5	0.5		1	0.5	
210: Any other Black background	0	0.0		0	0.0		0	0.0	
211: Mixed - Asian & White	1	0.1		1	0.1		0	0.0	
212: Mixed - Black African & White	5	0.4		2	0.2		3	1.5	
213: Mixed - Black Caribbean & White	6	0.5		6	0.6		0	0.0	
214: Any other mixed background	0	0.0		0	0.0		0	0.0	
215: Arab	13	1.1		4	0.4		9	4.5	
216: Any other ethnic group	0	0.0		0	0.0		0	0.0	
217: Prefer not to say	0	0.0		0	0.0		0	0.0	
N/R	30	2.6		28	3.0		2	1.0	
D108 Ethnic background - simple 1	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
218: White UK / British	1033	89.1		861	91.1		158	79.0	
219: BME - White Irish	17	1.5		13	1.4		3	1.5	
220: BME - White Gypsy or Irish Traveller	1	0.1		1	0.1		0	0.0	
221: BME- White other	16	1.4		5	0.5		11	5.5	
222: BME - none White ethnic groups	63	5.4		37	3.9		26	13.0	
N/R	30	2.6		28	3.0		2	1.0	
D109 Ethnic background - simple 2	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
223: White British	1033	89.1		861	91.1		158	79.0	
224: BME	97	8.4		56	5.9		40	20.0	
N/R	30	2.6		28	3.0		2	1.0	
D110 Sexual orientation	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
225: Heterosexual / straight	1087	93.7		886	93.8		188	94.0	
226: Lesbian / Gay woman	4	0.3		3	0.3		1	0.5	
227: Gay man	12	1.0		11	1.2		1	0.5	
228: Bisexual	8	0.7		6	0.6		2	1.0	
229: Other	1	0.1		0	0.0		0	0.0	
230: Prefer not to say	13	1.1		9	1.0		3	1.5	
N/R	35	3.0		30	3.2		5	2.5	

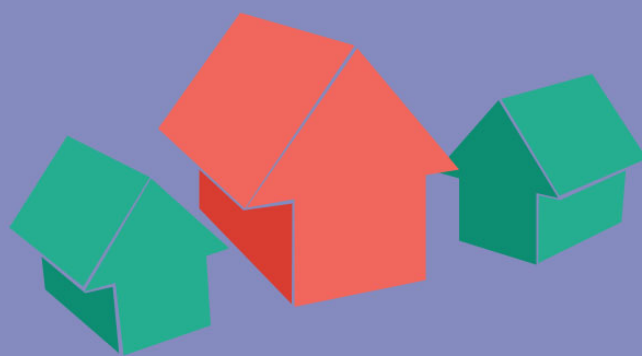
Appendix B. Data summary

	All respondents			Tenants			Leaseholders		
	Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
D111 Sexual orientation - simple	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
231: Heterosexual	1087	93.7		886	93.8		188	94.0	
232: LGB	24	2.1		20	2.1		4	2.0	
233: Other	1	0.1		0	0.0		0	0.0	
234: Prefer not to say	13	1.1		9	1.0		3	1.5	
N/R	35	3.0		30	3.2		5	2.5	
D112 Religion	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
235: I have no particular religion/belief	926	79.8		755	79.9		160	80.0	
236: Buddhist	3	0.3		3	0.3		0	0.0	
237: Christian	61	5.3		46	4.9		14	7.0	
238: Hindu	2	0.2		1	0.1		1	0.5	
239: Jain	0	0.0		0	0.0		0	0.0	
240: Jewish	1	0.1		1	0.1		0	0.0	
241: Muslim	3	0.3		3	0.3		0	0.0	
242: Pagan	1	0.1		1	0.1		0	0.0	
243: Sikh	0	0.0		0	0.0		0	0.0	
244: Agnostic	20	1.7		19	2.0		1	0.5	
245: Atheist	32	2.8		18	1.9		13	6.5	
246: Other	0	0.0		0	0.0		0	0.0	
247: Other philosophical belief	3	0.3		2	0.2		0	0.0	
248: Prefer not to say	12	1.0		7	0.7		4	2.0	
N/R	96	8.3		89	9.4		7	3.5	
D113 Religion - simple	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
249: No religion	926	79.8		755	79.9		160	80.0	
250: Christian	61	5.3		46	4.9		14	7.0	
251: Other	65	5.6		48	5.1		15	7.5	
252: Prefer not to say	12	1.0		7	0.7		4	2.0	
N/R	96	8.3		89	9.4		7	3.5	
D114 Disability	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
253: Yes - a little	157	13.5		125	13.2		30	15.0	
254: Yes - a lot	30	2.6		25	2.6		4	2.0	
255: No	928	80.0		758	80.2		159	79.5	
256: Prefer not to say	10	0.9		7	0.7		2	1.0	
N/R	35	3.0		30	3.2		5	2.5	
D115 Type of disability	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
257: Physical impairment	108	9.3		88	9.3		18	9.0	
258: Sensory impairment	21	1.8		16	1.7		5	2.5	
259: Learning disability/difficulty	1	0.1		1	0.1		0	0.0	
260: Long standing illness	33	2.8		26	2.8		7	3.5	
261: Mental health condition	35	3.0		30	3.2		4	2.0	
262: Autistic Spectrum	1	0.1		1	0.1		0	0.0	
263: Development condition	0	0.0		0	0.0		0	0.0	
264: Other	4	0.3		3	0.3		1	0.5	
N/R	973	83.9		795	84.1		166	83.0	
D116 Are you a carer?	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
265: Yes	71	6.1		60	6.3		8	4.0	
266: No	1045	90.1		849	89.8		184	92.0	
267: Prefer not to say	9	0.8		6	0.6		3	1.5	
N/R	35	3.0		30	3.2		5	2.5	
D117 Who do you care for?	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
268: Parent	45	3.9		37	3.9		6	3.0	
269: Child with special needs	10	0.9		9	1.0		0	0.0	
270: Other family member	1	0.1		0	0.0		1	0.5	

Appendix B. Data summary

	All respondents			Tenants			Leaseholders		
	Count	% overall	% valid	Count	% overall	% valid	Count	% overall	% valid
271: Partner / spouse	15	1.3		13	1.4		1	0.5	
272: Friend	1	0.1		1	0.1		0	0.0	
273: Other	1	0.1		1	0.1		0	0.0	
N/R	1089	93.9		885	93.7		192	96.0	
D118 Are you currently serving in the UK Armed Forces (this includes reservists or part-time service, eg: Territorial Army)?	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
274: Yes	0	0.0		0	0.0		0	0.0	
275: No	1112	95.9		905	95.8		192	96.0	
276: Prefer not to say	7	0.6		4	0.4		3	1.5	
N/R	41	3.5		36	3.8		5	2.5	
D119 Have you ever served in the UK Armed Forces?	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
277: Yes	22	1.9		22	2.3		0	0.0	
278: No	1090	94.0		882	93.3		193	96.5	
279: Prefer not to say	7	0.6		4	0.4		3	1.5	
N/R	41	3.5		37	3.9		4	2.0	
D120 Are you a member of a current or former serviceman or servicewoman's immediate family/household?	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
280: Yes	12	1.0		11	1.2		1	0.5	
281: No	1098	94.7		893	94.5		190	95.0	
282: Prefer not to say	7	0.6		4	0.4		3	1.5	
N/R	43	3.7		37	3.9		6	3.0	
D121 Connection with the Armed Forces	<i>Base: 1160</i>			<i>Base: 945</i>			<i>Base: 200</i>		
283: Yes	35	3.0		34	3.6		1	0.5	
284: No	1076	92.8		871	92.2		190	95.0	
285: Prefer not to say	7	0.6		4	0.4		3	1.5	
N/R	42	3.6		36	3.8		6	3.0	

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(t) 0844 272 6004

(w) www.arp-research.co.uk

ARP Research Ltd

1 Dickenson Court, Sheffield, S35 2ZS

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Options programme for housing repairs, planned maintenance and capital works

Business & Value for Money Service Improvement Group (appendix 13)

Tuesday 14th August 2018

What should we stop doing?

1. Nothing noted

What would it be great to start doing?

1. More experienced surveyors on council side
2. Ability for residents to contact surveyors more easily
3. Survey older properties - across the city
4. Technically diagnose more complex and repairs with a pre-inspection
5. Cleaning gutters
6. Make and adapt properties so that they are suitable for "today's life"

What is good about what we do?

1. Sometimes good to get through to repairs desk for smaller repairs but not so good for more complex repairs

What shall we do more of?

1. Maintenance - keep it sturdy, keep it strong
2. Look after the older stock - invest in maintenance
3. Proactive measures for tackling damp - enable residents to access extract ventilation
4. Look at chimney breasts, frees up space for better use

