

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		
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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

