

Waverley Borough Council Scrutiny Review

Housing Maintenance Contract Procurement O&S Working Group Report

A Review Report of the Housing Overview & Scrutiny Committee

June 2020

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Housing Maintenance Contract Procurement O&S Review

Task Group Members:

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Chair's Foreword

This document is the output from a working group (the Group) set up to review the requirements and approach to be taken in the specification and procurement of a new Housing Maintenance contract. The document provides a report of the discussions and recommendations for consideration by the Executive regarding the renewal process for the contract. The contract is of high value, providing for responsive repairs, voids refurbishment and disabled adaptations of the Council's social housing stock comprising almost 5,000 homes.

It goes without saying that it is most important to make sure that the Council obtains the best possible contractual arrangements in terms of value for money, high quality, and customer satisfaction of tenants. The Group met twice in order to formulate recommendations for the new contract requirements, including reviewing the history of the previous contract to see how aspects of this might need to be considered. It is unfortunate that the previous contract was itself renewed just one year ago, but the contractor terminated the contract in March 2020 claiming they had underestimated the costs. That contract renewal process, and setting up an interim contractor to take over the work, required a significant officer effort, and the process now has to be repeated, with the aim of appointing a contractor to take over the work in November 2021. It is to be hoped that past bad experience will not be repeated.

The Group comprised five members of the Housing O&S Committee, including the Chair of the Tenants Panel, supported by a number of officers and specialist consultants Faithorn Farrell and Timms (FFT) contracted by the Council to advise on the procurement process. The Group included members who were involved in earlier Housing Maintenance contract deliberations which was of great benefit. As Chair of the group, on behalf of the participants, and as Vice-Chair of the Housing O&S Committee, I was pleased to be able to support the Council in the debate on setting out the framework for the contract renewal process.

Councillor Peter Marriott, Chair of the Group and Vice Chair of Housing O&S Committee

1. Background

In 2017 the Housing Improvement Sub-committee of the Corporate Overview and Scrutiny (O&S) Committee produced a report outlining its recommendations to the Executive regarding the procurement of the Council's housing maintenance contract. Informed by these recommendations the Council undertook a procurement exercise and awarded the contract for its Responsive Repairs, Voids Refurbishment and Disabled Adaptations services to Mitie Property Services (UK) Ltd in late 2018 to begin in April 2019.

The same day the contract was awarded the parent group of the Council's previous contractor (Mears) purchased Mitie Property Services (UK) Ltd's social housing business, and as part of the new company formation MPS Housing Ltd formed part of the Mears Group.

MPS gave notice to the Council 10 December 2019 as a result of an inability to make sufficient returns and lower than anticipated volumes of work. Since the termination of the contract on 10 March 2020 Ian Williams has delivered the responsive repairs, void refurbishment and disabled adaptations service through an interim contract. The Council is now starting the re-procurement for the longer term contract and the Housing O&S Committee set up a working group to make recommendations to inform this, including recommendations relating to the procurement and the specification of the contract.

2. Methodology

At its 16 March 2020 meeting the Housing O&S Committee agreed to set up a working group to review the options for the Responsive Repairs, Voids Refurbishment and Disabled Adaptations contract that the Council would soon be procuring. Despite the associated disruptions of COVID19 the Group has met virtually twice and makes the recommendations set out in this report. The scoping document (annexe 1) was agreed by the Group and contains background to the review, areas of particular focus and timelines for the consideration and agreement of the recommendations.

A representative from Faithorn Farrell Timms (FFT), the specialist consultant procured to support the Council in the procurement of the contract, attended both meetings of the Group and provided expert advice on procurement, specification and the social housing maintenance market. At its first meeting the Group learnt about the previous procurement process and sought reassurance from Waverley's Procurement Officer that the process used to procure the previous contract was sound and the failure of the contract was not a result of the way in which it was procured.

Guided by a presentation from officers, at its second meeting the Group considered a range of possibilities relating to the delivery model (including a shared service delivery model), the procurement and the specification of the contract. The conclusions of these discussions form the recommendations included within this report. Throughout the work of the Group officers shared their thoughts on the questions being considered and it was recognised that these officer recommendations, as discussed and endorsed by the group, had taken account of expert advice from FFT who were present at the meeting.

3. Report

Context

As set out in the background section of this report, FFT is a consultancy company supporting the Council throughout this procurement project. FFT also supported the Council in the previous procurement and produced a 'lessons learnt' document which included conclusions and suggestions for the next procurement process. This document formed part of the agenda for the first meeting of the Group and was reviewed in light of the latest situation regarding Brexit, COVID19 (and possible future pandemics) and the Climate Change Declaration made by the Council September 2019.

The Group was advised that public sector procurement in the UK is governed and legislated under Public Contract Regulations 2015 and this will not change because of Brexit. Due to the value of the contract while the UK is in the transition period the Council would still be required to publish through the Official Journal of the European Union.

Officers advised that the interim contract with Ian Williams contains clauses relating to pandemics and these will be included in all future contracts.

In terms of the Council's Climate Change Emergency Declaration, the Group was informed that environmental considerations can be explored further in the procurement process through tender questions and again during interview of negotiation stages of procurement but also in the specification of the contract, for example the vehicles used by operatives.

Procurement Options

Price/quality split

When discussing the price and quality assessment, the Group agreed that quality is the priority but recognised that doesn't necessarily mean awarding the contract to the highest bidder. Quality delivery was the priority for the Group and in order to achieve this it was keen for customer satisfaction performance information to feature as a factor in the procurement process. The Group also felt that site visits may be beneficial to the process of procurement because they would allow the Council to see first-hand the quality of work completed.

1. Recommendation
The quality/price assessment is 60%/40%.
2. Recommendation
Customer satisfaction performance information is included as part of the procurement process.
3. Recommendation
Site visits are undertaken in order to gain an objective understanding of the quality of previous work completed by bidders.

Evaluating price and quality

Once a decision is made as to how much emphasis to place on quality and price when awarding the contract, there are then various possible methodologies relating to evaluating the quality of the service and price of the bids. Site visits and including information regarding customer satisfaction in the assessment process are ways of evaluating quality of the bids.

The Group was presented with several possible options in terms of the evaluation of price and decided to recommend the 'average price' option, which effectively marks all bids on a bell chart and disregards any bids significantly different from the average. This then reduces the pool of bidders to those quoting a price within an average. The Group described this option as a 'safety-first' and felt that this option would most effectively protect against awarding the contract to a bidder who has under-priced, potentially causing expensive management problems once the contract is in place. Given the 60/40 split in favour of quality the Group felt this approach to evaluating price did not risk awarding the contract to a company that would give an inadequate service, despite the possibility the highest bidders would be removed from the process.

4. Recommendation
The Council adopts the 'average price' approach when evaluating the prices quoted by bidders.

Contract specification

Incentives and penalties

The Group discussed the possible use of incentives and penalties within the contract and concluded that these should not be included. Listening to officers describe their experience of the previous contracts which did include incentives linked to performance KPIs, it was felt that their inclusion would distract the contractor, shift focus away from service to the residents and cause more management time to be spent on debating the definitions of key performance indicators rather than the service being provided to the residents.

5. Recommendation

Incentives and penalties are not included in the specification of the contract.

Handy-person service

The Group discussed the possibility of creating a handy-person service for tenants. Officers described how this service would be procured – either included in the specification of the contract or set up by the Council directly. Officers advised the Group that procuring this service through a third party is likely to result in confusion or disputes about areas of work. The Group felt that performing this function directly through the Council could also lead to these types of complications. Additionally, a ‘one-man band’ company contracted to deliver this service would not be able to give the Council exclusivity and would very likely result in increased management costs.

Ultimately the Group agreed that the contract being awarded already covers the services a handy-person would provide and the focus should be on awarding a contract that ensures these services are delivered to a high standard with value for money.

Safeguarding

The discussion around the handy-person service highlighted the importance of the Council’s role in ensuring any issues with the tenant’s home are picked up by the operative and either dealt with or reported back to the office. Officers agreed that safeguarding is an important responsibility of operatives and told the Group it is written into the contract as standard. The Group agreed that the specification of the contract should include the facility for operatives to report concerns back to the office. Having this facility and reporting mechanism would avoid inconsistent approaches by different operatives relating to raising safeguarding concerns. Upon receiving these messages the Council would then have a process in place for getting in touch with the tenant or relevant authority.

6. Recommendation

Safeguarding continues to feature in the training of Council and contractor staff and the specification of the contract includes a facility and mechanism for operatives to raise safeguarding concerns directly with the Council.
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Call handling

The Group recognised that tenants are unlikely to be concerned with who took their calls as long as the service was delivered to high quality and in a timely way. Officers explained that at the moment the first call from the tenant is taken by the Council with follow up calls being taken by Ian Williams and that this current system of call handling is working well, particularly since most of the follow up calls concern to the time and/or date of appointment. Some authorities

have the contractor taking all of the calls from the tenants, requiring a significant level of trust in the contractor as they would then be responsible for ordering jobs. Officers suggested this could be a possibility once trust was developed between the Council and the appointed contractor. For the contract being procured through this process however, the Group agreed that the current model be included in the specification with the option for the contractor to take all the calls if and when trust had been built up.

7. Recommendation

The specification of the contract should specify that the Council will take the initial call from the tenant with the contractor taking further calls relating to the same job, with the option of the contractor taking all the calls during the contract period if agreed at a later date.
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Customer Satisfaction

Customer satisfaction data are included in the Council's quarterly performance reports and show how tenants rate the overall service of a repair and whether or not it was completed first time. These data were collected by an independent third-party through telephone surveys of tenants who recently had repairs completed with the MPS and previously Mears contract, with the contractor funding half the costs. The Group recognised the benefits of having the performance data obtained by a third party, including the independent nature of the third party and the increased perceived validity of the data.

8. Recommendation

The Council continues to obtain performance information relating to customer satisfaction through an independent third-party.

Shared Services

Officers had been exploring the option of having a shared service with other local authorities and gave feedback on the general direction of these discussions to the Group. Officers also confirmed that a project has been commissioned to compare Housing data amongst 3 Surrey Local Authorities who have slightly differing delivery models. FFT gave an overview on what was involved in implementing a shared services model, emphasising the amount of lead in time required. He gave an example of a project involving two local authorities that had still not been implemented after three years despite both authorities being totally committed. It was agreed that there was not enough time to explore this line at present but that it was possible to have a clause in the contract advising we may explore an alternative delivery option during the period of the contract.

9. Recommendation

The Council should include a clause in the contract for exploring an alternative delivery option during the period of contract.

4. Recommendations

The Portfolio Holder for Housing and Community Safety and the Executive are asked to consider the following recommendations:

1.	The quality/price assessment is 60%/40%.
2.	Customer satisfaction performance information is included as part of the procurement process.
3.	Site visits are undertaken in order to gain an objective understanding of the quality of previous work completed by bidders.
4.	The Council adopts the 'average price' approach when evaluating the prices quoted by bidders.
5.	Incentives and penalties are not included in the specification of the contract.
6.	Safeguarding continues to feature in the training of Council and contractor staff and the specification of the contract includes a facility and mechanism for operatives to raise safeguarding concerns directly with the Council.
7.	The specification of the contract should specify that the Council will take the initial call from the tenant with the contractor taking further calls relating to the same job, with the option of the contractor taking all the calls during the contract period if agreed at a later date.
8.	The Council continues to obtain performance information relating to customer satisfaction through an independent third-party.
9.	The Council should include a clause in the contract for exploring an alternative delivery option during the period of contract.

5. Financial, Legal, Equality and Environmental Implications

5.1 Financial Implications

Housing maintenance contracts costs are included within the Housing Revenue Account 30 year Business Plan. The business plan for 20/21 specifically includes a £200,000 contingency budget as well as additional contingency within the overall expenses budget to cover anticipated procurement costs arising from the new tendering process.

Given the volatility of the market the procurement approach and price evaluation should be whatever is most appropriate at the point in time when procuring.

5.2 Legal Implications

The legal implications relating to this report concern the future procurement routes available to the Council and the options for the framing of that tender. The proposals and options set out within this report accord with both the Council's Contract Procurement Rules and the Public Contracts Regulations. The report's recommendations are all options that the Council could, if recommended by the Committee and agreed by the Executive, take forward as part of its tender process.

5.3 Equality Implications

There are no direct equality, diversity or inclusion implications in this report. The decisions made regarding the procurement and specification of the Responsive Repairs, Voids Refurbishment and Disabled Adaptations contract will need to

undertake equality impact assessments to ensure service delivery meets the requirements of the Public Sector Equality Duty under the Equality Act 2010.

5.4 Environmental Implications

As set out in the attached report, the Group considered the possibilities for reducing the environmental impact of the contract.

6. Summary of Appendices

Appendix A – Scoping document v2

7. Officers to Contact

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