



REPORT TEMPLATE

Agenda item:

[No 1]

[Name of Meeting] On [Date]

Report Title: Repairs Procurement	
Forward Plan reference number (if applicable): [add reference]	
Report of: Niall Bolger, Director of Urban Environment	
Wards(s) affected: [All / Some (Specify)]	Report for: "[Key Decision]"
1. Purpose 1.1. To inform members of the outcome of the recent housing repairs market testing exercise carried out by Homes for Haringey (HfH) following the Council's decision to carry out an end to end procurement in December 2005.	
2. Introduction by Cabinet Member (if necessary) 2.1 Following the rigorous procurement process undertaken by Homes for Haringey and the vigorous scrutiny of the outcome by the council's officers I am pleased to recommend the successful bidder. The new contract demonstrates the commitment of the workforce to achieving Best Value, and it involves a range of service improvements for the tenants as well as substantial savings for Homes for Haringey (and therefore the tenants and the HRA).	
3. Recommendations It is recommended that: 3.1 the Council notes the HfH Board recommendation of 10 September 2007 to award both the east and west contracts to carry out the repairs service from 1 st January 2008 to 31 st March 2013, with an option to extend for up to two years to 31 st March 2015, to Homes for Haringey's direct labour organisation, Repairs Operations. 3.2 in respect of the call centre, the variant bid for call handling including out of hours be accepted and that the current arrangements with the Adult, Culture and Community services be terminated at the commencement of the contract(s). 3.3 in respect of vehicles the variant bid for vehicles to be provided by the repairs contractor from December 2009 (on expiry of the current Council contract with Accord) be accepted and that the Council continue negotiations with Accord with a	

view to returning vehicles as individual leases expire which may provide better value for money.

Report Authorised by: **Niall Bolger, Director of Urban Environment**

Contact Officer: **Peter Nourse,**
Interim Assistant Director of Strategic and Community Housing

4 Acting Director of Finance Comments

- 4.1 In the current financial year, the HRA pays Homes for Haringey (HfH) a management fee £40.174m, including £17.928m for the repairs service element. The repairs fee for 2007/08 includes an agreed efficiency saving of £1.286m and a further £0.5m is planned for 2008-09
- 4.2 The report recommends the award of the repairs contract to the lowest bid (the in-house DLO), which should generate an estimated on going saving of £1,682k per annum (based on the volumes of work generated in 2006-07). The saving target, included in the financial plans for 2007-08 and 2008-09 is £1,786m. Therefore, there is a shortfall of £104k against the target. HfH has indicated that further efficiencies are being planned (e.g. productivity scheme, revised working hours, mobile working, improved stores arrangements,) which will be reviewed in the businesses planning process for the 2008-09 budget setting.
- 4.3 The in-house HfH bid for combined contracts, over five years, is the lowest submitted and overall the most economically advantageous for the Council. Award to an external contractor would be at additional costs to the Council, as shown in the following table. The names of Contractors 1-5 are set out in an Appendix to this report which contains exempt information and is not for publication.

Contractor	Contract 1 only	Contract 2 only	Both Contracts	Price Differential to HfH
	£000's	£000's	£000's	£000's
HfH	46,381	57,051	99,058	
Contractor 1	46,025	56,527	100,891	1,833
Contractor 2	47,946	59,390	102,735	3,677
Contractor 3	49,454	60,803	108,424	9,366
Contractor 4	55,006	67,267	119,048	19,990
Contractor 5	60,343	74,789	*n/a	*n/a

- 4.4 The above savings include the recommendation that HfH would withdraw from commissioning the day time repairs call function from Customer Services section (CSS) and the out of hours emergency call function from Adult, Community & Culture (ACC). 15.5 posts, in CSS (costing some £455k) would be transferred under TUPE regulations to HfH. All of these posts are currently filled by agency staff, thus there should be no redundancy implications for the HRA. Currently, the total cost of this service is £866k. This also includes £147k of salary costs in ACC and these costs will need to be saved by the department when the DLO starts to provide the service directly. The HfH bid indicates that they would be able to do the same function at a reduced cost of £315k.
- 4.5 The remaining costs of £205k relate to residual fixed overheads that can be charged to the HRA. It is likely that these can be added to savings plans within next year. There is also further £45k of direct running costs the CSS will need to save and a residual cost of general overheads of £13k that will become an additional general fund cost.
- 4.6 The report also recommends that HfH would withdraw from commissioning the provision of vehicles from Accord, via the Urban Environment Directorate (UE) at the end of the present contract with Accord in December 2009. A full year saving of £190k for Homes for Haringey would result from 2010-11. Some of these costs would be saved from a reduction in payment to Accord, however there would be residual cost implications for the Council of some £104k.

5 Head of Legal Services Comments

- 5.1 It is noted that a separate report to Cabinet provides for the amendment of the Management Agreement between the Council and Homes for Haringey in order to delegate to Homes for Haringey additional procurement functions, including the procurement of the repairs contract considered in this report. If the additional functions have been delegated, there is no need for the Cabinet in this report to agree the contract award or accept the bids as recommended in paragraphs 3.1 to 3.3. To do so might appear to be inconsistent with the delegation of these powers to Homes for Haringey and blur the lines of responsibility and accountability. Instead the Cabinet may wish simply to note any decisions taken by Homes for Haringey in respect of the delegated repairs procurement.
- 5.2 The scenario outlined at paragraph 5.1 would not, however, preclude the Cabinet from accepting the recommendation at paragraph 3.3 for the Council to continue negotiations with Accord for the return of vehicles. There is no legal bar to the Cabinet so deciding as this would remain a function retained by the Council.
- 5.3 In the event the Council has not opted to delegate the procurement of the repairs contract covered by this report, this report should then be recast so that the recommendations are for the Cabinet to make the relevant procurement decisions themselves rather than agreeing to decisions made by HfH. All the information necessary for this purpose should then be included in the report.
- 5.4 Haringey currently have an organised team within the call centre dealing with HFH repair calls. The proposal for consideration involves HfH assuming

responsibility for such calls. That will involve a service provision change for the purposes of TUPE.

The combination of service provision change and the fact that Haringey have an organised grouping of employees whose principal function is to deal with repair call means that there will be a relevant transfer for the purposes of TUPE because the service (dealing with repair calls) involves more than a single specific event and is not of short term duration.

Accordingly the following should be noted:-

- Employees will transfer from Haringey to HfH - together with liabilities connected to their contracts of employment.
- The transfer of their employment will be on their existing terms and conditions of employment
- Any dismissal made for a reason connected to the transfer is deemed automatically unfair.
- Haringey are required to supply prescribed employee information about the transferring employees.
- There is an obligation to provide information and consult with representatives of affected staff. Haringey need to obtain information from HfH about any measures HfH intends to take concerning affected employees, so that can be provided to the appropriate representatives.

6 Local Government (Access to Information) Act 1985

- 6.1 Management Agreement between the Council and HfH
- 6.2 Repairs Procurement to HfH Board 10th September 2007 (also attached as an appendix)
- 6.3 [Also list reasons for exemption or confidentiality (if applicable)]

7 Strategic Implications

- 7.1 A key element of the Management Agreement is that the Council and Homes for Haringey will work together within a spirit of mutual co-operation and partnership in order continuously to improve the services and the way in which they are delivered. The award of both the east and west repairs contracts to HfH Direct Labour Organisation represents an improvement in the responsive repairs and voids service and value for money representing savings of £3.851 – £4.017m over the life of the main contract term excluding any possible extensions.
- 7.2 Having one contractor for both contracts makes monitoring the contracts and dealing with any issues arising easier for both HfH and the Council
- 7.3 In terms of access for residents the new contract allows for call handling during normal working hours from 8am to 8pm Monday to Friday and 9am to 1pm on a Saturday.
- 7.4 The contractor will be responsible for handling calls during normal working hours and out of hours costs. This will have cost implications (£147,400 plus inflation for 2007/08 from the retained budget) for the out-of-hours service which Adult, Culture and Community services directorate currently provides for the Council.

- 7.5 A new productivity scheme has been drawn up which will allow for up to 10% of appointments 5pm to 8pm Monday to Friday and Saturdays 9am to 1 pm thereby increasing access for residents.

8 Financial Implications

- 8.1 The budget for the repairs element is £17.428m, which includes a planned saving of £1.286m for 2007-08 and £0.5m for 2008-09. The contract sum (including providing an in house call centre service) is £17.532m. There is a shortfall of £104k, which HfH will need to include in the business planning process for 2008 - 09 budget setting.
- 8.2 Para 6 of the HfH report confirms the withdrawal the commissioning of the call centre function provided by the Council. Although this will generate savings for HfH, there will be residual costs £205k that will be left with the Council and will have to be saved by Customer Services (£58k) and Adult, Culture & Community (£147k)
- 8.3 From December 2009 when HfH withdraw from the commissioning of vehicles from Accord, Para 6.13 of the HfH there will be residual cost implications of £104k for the council which will need to be saved by Urban Environment

9 Legal Implications

- 9.1 See Legal Comments at paragraph 5 above.

10 Equalities Implications

- 10.1 Equalities and diversity were considered as part of the procurement process.

11 Consultation

- 11.1 Residents have been involved in the procurement of the repairs contractor at all stages via a working group.

12 Background

- 12.1 The Council decided to market test the repairs service in December 2005 following a value for money review carried out by Deloitte. It was agreed that the procurement should cover the whole end to end service, including repairs reporting and the provision of vehicles. It was also agreed that there should be an in house bid from the existing direct labour organisation.

- 12.2 In September 2006 it was agreed:

- That the contract(s) duration would be for 5 years plus an option to extend for a further 2 years
- That Homes for Haringey would be both the employer and contract administrator (This is the subject of a separate report coming to this meeting as the management agreement states that the Council is the employer while HfH is the contract administrator.)

- The form of contract to be used – Joint Contracts Tribunal measured term contract with partnering supplement
- That there would be two contracts but bidders could be considered for both subject to their financial capacity
- The scope of the work – response repairs, voids, adaptations and specialist works
- That bidders would be invited to submit variant bids for call handling and vehicle provision and that notice be served on the Council in respect of these services.

12.3 Key milestones achieved to date:

- Soft market testing day held – September 2006
- Initial notice in the official journal of the European union – October 2006
- 26 expressions of interest received
- 14 pre qualification questionnaires received
- Tenders invited from 9 contractors– February 2007
- Bidders conference – March 2007
- Tenders received from 6 contractors– March 2007

The original programme anticipated a decision on the award in May and a contract start date in October 2007; due to the extensive nature of the evaluation process, it has not been possible to meet this timescale, and it is now recommended that the contract(s) commence in January 2008 in order to maintain the three month lead in period required for mobilisation from the date of the contract award.

12.4 Evaluation of received tenders

Homes for Haringey has been supported in this procurement by Ridge and Partners LLP.

Residents have been fully involved throughout and three tenants have participated in the evaluation of relevant method statements and have carried out site visits for all of the contractors who have submitted a bid. One resident sat on the final interviews held on 1st and 2nd May 2007.

12.5 Price Evaluation

Tenderers were asked to bid as follows:

- A separate price for overheads & preliminaries to be paid in equal monthly instalments
- A percentage adjustment against version 5.1 of the National Housing Federation schedule of rates, with the option to offer further discounts if awarded both contracts, for void properties and for orders over £1,000
- Variant prices for:
 1. Call handling during normal working hours (8am to 8pm Monday to Friday and 9am to 1pm Saturday)
 2. Call handling during normal working hours plus out of hours
 3. Vehicles

- a. Contractor to provide own vehicles on expiry of current Accord contract in December 2009
- b. Contractor to provide own vehicles as individual leases expire
- c. Contractor to provide own vehicles from day one of the contract (1/10/2007)

The prices have been derived from applying the tendered percentage adjustments to the workload generated in 05/06 plus overheads and preliminaries plus the cost of call handling and vehicles.

Homes for Haringey's bid of £99,058K was selected as representing best value and it is recommended that both HfH board and the Council approve this bid.

13 Conclusion

- 13.1 As a result of the market testing exercise for the responsive repairs and voids contracts, Homes for Haringey direct labour organisation has submitted the most economically advantageous bid. It therefore recommended that the Council agree the recommendations in section 3 above. However the Council will also have to investigate how the withdrawal of funding from Adult Culture and Community services out-of-hours will impact on this service.

14 Use of Appendices / Tables / Photographs

- 14.1 Ridge and Partners LLP HfH responsible repairs and Voids Tender report May 07
- 14.2 HfH Tender Price Evaluation Report
- 14.3 Repairs Procurement to HfH Board 10th September 2007
- 14.4 Risk Analysis with mitigation
- 14.5 Operative productivity scheme
- 14.6 [List any Appendices and their titles]