

**Verbal Update – Responsive repairs reprocurement**  
**Judy Pevan – Stock investment manager**

**1. Background**

The Council is aiming to have a replacement contract in place by April 2014 when contracts with Mears and Mitie will end.

This is a high profile and high priority piece of work for the Council as the repairs service deals with over 60,000 calls a year with a budget in 2012/13 in excess of £12.5m.

Because of the value and importance of the service, the Reprocurement project will be monitored via Croydon's procurement taskforce. The procurement taskforce comprises council officers working with an external consultant (Price Waterhouse Cooper) who has been brought in because of their experience in commissioning and delivering efficiencies in high value contracts.

Over the past two months extensive work has taken place between PwC and the Reprocurement project team looking at a range of issues that need to be agreed before formal procurement can commence. The Council is also working with EC Harris and Echelon as partnering advisors to DASHH specifically focussing on commissioning and getting best value from a range of partnering contracts including responsive repairs. Some of you may have already met them as they recently delivered the 'Visions and values' consultation workshops.

This verbal progress report updates you on activities to date and discusses the key recommended outcomes.

**2. Scope of contract**

It is 10 years since we last tendered for the repairs service and in that time there have been significant changes to the way contractors are able to deliver services to the market. The Council, together with PwC and EC Harris have looked at the broad range of repairs, planned and cyclical maintenance and improvements activities that we carry out with the aim of grouping together those which might be better delivered together rather than separately.

The reason for grouping together activities is that there could be either financial savings if a contractor bids for a broader scope of work (economies of scale) or there could be delivery efficiencies and improved performance if the contractor can take responsibility for a broader range of activities.

A good example of this is the way we currently deliver central heating and other gas related repairs through our repairs contractors where the statutory annual gas servicing is delivered by a separate contractor in the planned maintenance and improvements section. A number of contractors have told us that there could be significant benefits (both in savings and processes) if these two activities were delivered by the same contractor. This could also mean fewer visits to tenants homes. Council officers have also visited a number of other local authorities and

registered social landlords to see how similar services are delivered elsewhere.

So, in addition to the core activities which the current contract delivers, it is recommended that the new contract also includes:-

- Gas servicing
- Communal door entry repairs
- Cyclical maintenance of aids and adaptations
- Estate graffiti removal
- Provision of Energy performance certificates and carrying out accessible housing register surveys in voids

The new provider will continue to be able to install new central heating systems or kitchens and bathrooms to the decent homes standard as and when required.

As well as extending the scope of works to be delivered, the Resident Steering Group working with Lorraine Smout and Sharon Day have also discussed and agreed some additional works to be delivered as part of the void lettable standard and the concessionary repairs scheme proposals for these are to go to the sheltered housing and disability panels during November and any revisions will be included in requirements for the new tender.

### **3. Resident consultation**

As well as the resident steering group meetings referred to above, Echelon carried out a series of 'Visions and values' workshops with residents looking at what works well or less well currently and gained views on what residents would like to see in the future. Outcomes from this will be incorporated into the specification for the new tender.

The project team will shortly be developing a formal communication strategy which will identify how communication with all of the stakeholders to this project will be carried out. An initial equality impact assessment has already been carried out with a full assessment being developed as part of ongoing activities.

We have gathered via the Housing Sounding Board, the Responsive repairs steering group and the visions and values workshops the details of all residents who would like to be involved in the re-procurement of the responsive repairs contracts in some way. We will soon be providing further information on what commitment this will require in terms of time and the skills and input needed along with any training we will offer. We will then develop a plan for how residents can and will be involved, from attending workshops and visits to full membership of the evaluation panel.

### **4. Move from 2 contractors to 1 contractor**

The research carried out recommends that the Council moves from two to one contractor.

The main advantages of this are:-

- Economies of scale and purchasing power by having one contractor

- Reduction in fixed management overheads and costs and a more efficient workforce
- Only one IT interface with a repairs contractor
- Less repairs call handling complexity in having one contractor
- Less back office resources needed on managing two contractors and more resources to carry out effective contract management including partnership working and improving resident satisfaction and additional quality checks on work.

There are some risks in only having one contractor however:-

- There are performance risks with having one contractor i.e. if that contractor fails. However having two contractors would not solve this problem a) because of resource allocation and b) because of European procurement rules the second contractor would not be able to mobilise more quickly than an external provider. Current arrangements allow for emergency and urgent works to be picked up whilst we do short term procurement.
- Risk of contractor failure will be mitigated by thorough analysis of contractor capability and financial robustness as part of the tendering process and have a contract management strategy in place which is focused on performance management and business checks

#### **4. Price per property**

At the moment for the main part the Council issues works using schedules of rates i.e. agreed prices for specific items of work. This is time consuming as all repairs orders need to be allocated to the correct schedule of rates as well as the need to issue and approve variations if more work is identified. This process is difficult to administer accurately when taking repair calls and issuing works and results in high levels of variations as a result.

Over the last few years the market has started to adopt a new pricing model called 'price per property'. Using historical repairs information bidders will put forward a price for carrying out all required repairs and the advantages of this are:-

- A price per property model will provide a long term committed attitude from a contractor in carry out repairs to properties – this could be for example doing preventative work when in a property to reduce the number of callouts
- PPP will provide greater budget certainty for the council and a more predictable income stream for the supply chain
- It will allow for better long term financial planning across the service for both parties
- A narrow range of schedules of rates will still be in place for larger 'one – off' pieces of work or work outside the agreed scope.
- The price per property will be reviewed annually to ensure that reflects the benefit of longer term investment in council homes e.g. replacement boilers; windows; roofs; doors; kitchens and bathrooms etc.

- Croydon has already successfully implemented and used this model for gas repairs over the last few years

#### **5. Length of contract and type of contract**

The existing contracts with Mears and MITIE are for 10 years. The Council has found that this length of contract has supported delivery of continuous improvement and investment.

The proposed length for the new contract is to be between 12 to 15 years with contractual clauses in place for carrying out value for money reviews at specific intervals; termination for poor performance and award of extensions following reviews to enable the contract to continue to its expiry period. Soft market testing has identified that contractors would prefer as a minimum a 10 year contract period.

This would be in addition to having a robust contract management strategy in place which will include review of performance standards, ensure efficiency and performance targets are being met and will prevent complacency from both parties over the contract period.

The Council will continue to use the contract that it currently uses – TPC2005 amended 2008 (Term partnering contract) as it promotes and supports a partnering relationship and has already demonstrated its effectiveness in promoting continuous improvement and delivering financial efficiencies.

#### **6. Procurement route**

Because of the value of the new contract (minimum £12.5m x 12 years i.e. £150m) the contract will need to be procured under OJEU regulations. There are two options in terms of the type of procurement that could be carried out:-

- 1) Restricted – simply this is where the Council sets out its requirements and the bidders respond and includes method statements; pricing submission; site visits and interviews. The Council can request clarification on submissions but is not able to enter into 'dialogue' with bidders. This is what was used previously.
- 2) Competitive dialogue – this is a relatively new option and is intended to be used where what is being procured is very complex and dialogue will be needed so that the market is clear what they are being asked to provide. The market could also bring forward solutions that have not already been identified. Dialogue takes place over a relatively short period of time with sessions allocated to specific areas.

Whilst in essence a responsive repair is a relatively straight forward activity, the Council considers that there are particular elements of the new tender that are complex and as such is recommending that the competitive dialogue route be used. The areas that might be appropriate for dialogue could be:-

- Price per property
- Call taking – who is best placed to take repairs calls leading to the least

**Appendix 1**  
**Tenants' & Leaseholders' Panel**  
**2 October 2012**

number of processes and repairs done right first time

- ICT e.g. linking the Council and providers IT systems; remote access; mobile working; future innovation
- Mobilisation – how the new provider will work with the Council to set up so as to be ready to start delivering repairs on the due date

**7. Next steps**

The proposals above are being drawn into a comprehensive Procurement strategy which is going to the Procurement Taskforce on 8<sup>th</sup> October and to Contracts and Commissioning Board on 24<sup>th</sup> October.

Following that a detailed project plan will be drawn up taking the Council to the key date of 1<sup>st</sup> April 2014 for the new contractor to start taking repairs. It is hoped that the contract will be signed in December 2013 allowing for a 3 month mobilisation period.

It is suggested that TLP might want to be updated on progress at each future meeting.