

For general release

REPORT TO:	Streets, Environment and Homes Sub-Committee 4 February 2020
SUBJECT:	AXIS RESPONSIVE REPAIRS CONTRACT REVIEW
LEAD OFFICER:	Stephen Tate, Director of Council Homes, Districts and Regeneration. Lorraine Smout, Head of Repairs and Maintenance
CABINET MEMBER:	Councillor Alison Butler, Cabinet Member for Homes & Gateway Services
PERSON LEADING AT SCRUTINY COMMITTEE MEETING:	Lorraine Smout, Head of Repairs and Maintenance

CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:

The Responsive repairs service directly supports the following themes from the Corporate Plan:

Theme 1 - People live long, happy, healthy and independent lives.

Theme 2 – Our young people thrive and reach their potential.

Theme 3 – Good, decent, affordable homes for all.

Theme 6 – Everyone has the opportunity to work and build their career.

ORIGIN OF ITEM:	This item is contained in the work programme for 2019/20
BRIEF FOR THE COMMITTEE:	The Sub-Committee is asked to review the performance of Axis Europe PLC Responsive Repairs Contract and consider if it wishes to make any recommendations

1. EXECUTIVE SUMMARY

- 1.1 This Report provides a review of the responsive repairs, voids, electrical and gas services under the current repairs contract with Axis Europe plc. The contract commenced in April 2014 and is now in Year 6 of the initial 7 year term contract. The report covers performance and costs to date as well as a summary of resident feedback obtained as part of a wider contract review process and performance against key areas such as social value. The report also sets out some key areas on service delivery, service improvements from resident feedback, risks and mitigation and business continuity.
- 1.2 There is also an ongoing and joint review of the other housing related contracts that deliver repairs and refurbishment as there are three contracts in place that are also due for extension or re-procurement by March 2021 . These are:
- Mechanical and Electrical contracts including installation of domestic gas heating boilers - Clairglow
 - External decorations - Mulalley
 - General building contract - Mulalley

In addition, the contracts below are due for review in 2020/21 for either extension or re-procurement in 2021/22:

- Electrical servicing, testing and rewiring – AJS
- Lift maintenance, servicing and replacement – Guideline

2. *AXIS RESPONSIVE REPAIRS CONTRACT REVIEW*

2.1 Background

The Responsive repairs service carries out day to day repairs to all Council homes and communal works to blocks. This is around 16,000 including leasehold properties and we carry out approximately 65,000 repairs a year and turnaround on average 650 - 700 voids. This includes general building, gas breakdowns to domestic and commercial boilers, electrical works and repair and refurbishment works to properties that are void and are being re-let. The service delivers some specialist works such as repairs to door entry systems and repairs to adaptations and the contract with Axis Europe covers gas servicing and some fire safety remedial works.

Axis (Europe) Plc were appointed in January 2014 following a European Commission compliant competitive dialogue procurement process to deliver the contract and since appointment the contract scope has expanded to include servicing and maintenance works to communal boiler systems in housing properties, primarily extra care and sheltered housing.

The repairs service is funded by the Housing Revenue Account (HRA) budget within the 5/30 year HRA business plan. The cost of the service is £12.281m annually (inclusive of repairs support costs) with £9.221m currently allocated to the repairs contract with Axis.

The Contract commenced on 1st April 2014 for a seven-year term with provisions for two extensions of four years at the end of year seven and eleven. If no extension is granted the Contract will end on 31st March 2021. The Council has the right to extend the Contract at any time up to 31st March 2021, so in theory could extend on the last day i.e. 31st March 2021. Axis has the option not to extend the Contract, to exercise this right they must have informed the Council of this by 30th September 2019.

In addition, Clause 13.3 of the Contract contains a general 'no fault' termination whereby either party can terminate by Notice. The Council have a 12-month period and Axis an 18-month period. The 'no fault' termination clause can be exercised at any time. Therefore the Council are not legally committed to a four-year extension. Both parties would have to exercise this right when there is a minimum length of term left in the contract to at least match the notice period.

2.2 Performance

Contractor performance is reviewed constantly and a formal review meeting takes place on a monthly basis under the contract governance process. KPI performance is reported on a quarterly basis to the Strategic Core Group and to the Cabinet Member for Homes & Gateway Services. KPIs and benchmarking are used to allow the Council to:

- Set performance targets at the outset of the Contract
- Monitor performance over the lifetime of the Contract
- Benchmark performance to provide a basis for continuous improvement
- Develop its use of KPIs to ensure they are challenging and fit for purpose.

There are five groups of KPIs:

- Generic KPIs which measure performance across the whole service
- Repairs KPIs which measure performance against the responsive repairs service
- Voids KPIs which measure performance against the Voids service
- Gas KPIs which measure performance against the Gas 3 star service
- Contact Centre KPIs which measure performance against the Contact Centre

Axis's KPI performance has had some inconsistencies over the six years to date of the contract but there has been generally good performance. Axis's KPI performance compares favourably when benchmarked against other organisations and as evidenced from the end of year open book and contract review undertaken each year by our partnering advisors Echelon. Performance on KPIs since the start of the contract is set out in Appendix 1.

The KPIs developed by the Council were set with targets to remain or be in the upper quartile of its peers and include the following measures:

- Target performance which is linked to the earning of Variable Profit. These are linked to specific KPIs e.g. Customer Satisfaction.
- Minimum Levels of Acceptable Performance (MLAP) which set a lowest level of performance which can be linked to the issue of formal warnings/ recovery plans.

- An additional measure of Emergency Action Plan Trigger (EAPT) has been added to the Contract as the absolutely lowest threshold of performance. This triggers emergency plans and also the measures for any potential future termination.
- There have been no formal warnings issued and the KPIs set out the basis for termination events to be invoked. These include the failure on two KPIs or more for a defined period of time.

In order to maintain quality we undertake a 10% level of post inspections for works under the PPP arrangements and carry out a similar level of post inspections on works that are chargeable outside of the PPP as exclusions. All works that are marked on our systems as selected for post inspection are not released for payment until the post inspection has been completed and passed.

2.3 Benchmarking of performance against other providers

Axis's KPI performance has had some inconsistencies across the last 6 years (Appendix 1) although generally performance has improved over the length of the contract and recent performance has been good with an upward trend. The KPIs covering operational efficiency (Right First Time and Void Turnaround) are good and show that unproductive cost has been minimised.

Axis's KPI performance compares favourably when benchmarked against other organisations and has been reviewed as follows:

- Annual performance based on the end of each financial year – this establishes the historical trend across the Contract Period.
- Recent Monthly Performance in 2019 – this establishes recent trends as the service has reached a steady-state.

For the purposes of benchmarking we have used data collected by our partnering advisors Echelon in relation to customer satisfaction and operational efficiency and this looks at two sets of external data. The first evaluates against AMIP (Asset Management Improvement Partnership) which is across the range of their clients and includes a number of London Boroughs and Housing Associations (www.amip.org.uk) and the second against two similar contracts.

AMIP Benchmarking (Based on 2019 AMIP data)

KPI	Croydon Score Annual 2018/19	Croydon Score 2019/20 to date Q3	AMIP
Customer Satisfaction (R1)	82.3%	92.8%	94.9%
Right First Time (R3)	95.3%	94.1%	92.8%
Completions on Time – Emergencies (R4a)	100.0%	100.0%	94.8%

Completions on Time – Appointments (R4a)	98.8%	98.7%	93.9%
Appointments Kept (R6)	97.8%	97.5%	94.3%
Void Turnaround Key to Key repairs (V3a)	11.3 Days	11.2 Days	25.3 Days

The Customer Satisfaction score has improved and is getting closer to the AMIP Benchmark. All other Axis KPIs are better than the AMIP benchmarks.

2.4 Client to Client comparison

The table below compares the performance of the following:

- Croydon Council 2018/19 Annual
- Croydon Council Q3 2019/20.
- Origin Housing Q3 2018.
- Homes for Haringey 2018/19

KPI	Croydon Score Annual 2018/19	Croydon Score Q3 2019	Origin Score Q3 2018	Haringey Score 2018/19
Customer Satisfaction (R1)	82.3%	92.8%	86.5%	92.0%
Right First Time (R3)	95.3%	94.1%	80.0%	92.5%
Completions on Time – Emergencies (R4a)	100.0%	100.0%	n/a	99.7%
Completions on Time all priorities (R4a)	98.8%	98.7%	n/a	99.2%
Appointments Kept (R6)	97.8%	97.5%	91.2%	98.7%
Void Turnaround (Repairs work duration) (V3a)	11.3 Days	11.2 Days	9.6 Days	12 Days

- Customer Satisfaction –customer satisfaction with the Croydon repairs service has improved in the current year. This performance is in the upper quartile and compares favourably with the benchmarks.
- Right First Time – performance here is good and is in the upper quartile.
- Repairs Completion Time (Emergencies) – performance here is very good and in the upper quartile.
- Repairs Completion Time – performance here is good and compares favourably with the benchmark.

- Appointments kept – performance here is good and compares favourably with the benchmark.
- Void Works Duration – this is good and only slightly longer than the lowest benchmark

The service has set Axis a challenging target for complaints in that these should be not exceeding 0.4% of completed jobs. Benchmarking shows that most social housing providers set their targets between 1-2% of completed jobs. The performance on complaints through the contract period has been below target at the end of each year and is set out in Appendix 4. Although there has been an increase in complaints over the last two contract years when measured against completed jobs this was at 0.33% for 2018/19 and is currently at 0.41% for the current year 2019/20.

2.5 Commercial model and contract costs

The Responsive Repairs Budget for 2019/20 is set at £12.281m of which £9.221m is allocated to the Axis contract. Budget and costs from Year 1 to Year 6 to date are set out in Appendix 2. The contract is primarily based on a price per property (PPP) model which provides an inclusive price per property for repairs, gas breakdown and servicing and voids. This covers an extensive range of repair work and places more of the risk with the contractor as they get paid one amount per property for all works rather than for each visit or repair carried out. Excluded works are pre-approved and applications for payment checked on a job by job basis to ensure correct use of schedules of rates and value for money. Development of the electronic supply chain for Axis has included introducing an Imprest stock process and van stocks that are specific to individual operatives and engineers linked to the area they work in and their trade.

This has resulted in a price per property (PPP) of £345.61, a price per void (PPV) of £2,086.43 to ensure an agreed price for voids up to the value of £5,000 and a price of £112.05 per property for gas (PPG) breakdown repairs and £47.27 for gas servicing (equivalent to a British Gas 3* contract). The price per property model offers greater budget certainty to the Council and provides suppliers with a more predictable income stream from which to plan resources, make investment decisions and commit to longer-term continuous improvement.

- PPP – Price per property per annum – the price for carrying out all responsive repairs to each individual property as defined in the Term Brief.
- PPV – Price per void per annum – the price for carrying out all works to void properties as defined in the Term Brief.
- 3* Gas – the price per annum for carrying out gas servicing and repairs to each property serviced by an individual gas heating system.
- Fixed profit – the sum or sums as entered in the Cost Model for fixed profit.
- Variable profit – the sum or sums as entered in the Cost Model and subject to the provisions within the KPI Handbook

The inclusions within the PPP are further limited by the operation of a cap whereby any individual job that exceeds £2,000 (priced by reference to the Bidders adjusted NHF 6.1 Schedule of Rates) will be deemed to be outside of the PPP and valued by reference to the Schedules of Rates (SORs). An individual job means a one off repair to a single defined component which emanates from one source. The basis of the PPP/PPV and 3 Star Gas model is simplicity in operation and on a day to day basis the majority of work is carried out within the fixed price submitted for PPP/PPV and 3 Star Gas.

Works that are carried out to internal and external communal areas of multi tenanted blocks and leasehold properties will be outside the PPP and PPV where these works are undertaken they are priced using the SORs.

The commercial model includes an annual review which is intended to validate costs and prices, implement any adjustments to prices in accordance with the Contract and provide suggestions for performance improvement. There is provision for inflationary increases using the CPI index however these have to be demonstrated as part of the open book process and are not automatically applied.

As set out in the Price Framework, the annual review fulfils the following functions

- To calculate indexation changes and adjustments to rates for subsequent years
- To identify potential areas of performance improvement

In addition to the above the annual review aims to review and advise on the following areas:

- Detailed audit focussed on an analysis of a 1% sample of exclusions confirming that they are true exclusions and validating the SOR's charged
- Increased analysis on the comparison of cost incurred to the tender submitted ensuring that the contract is not being over/under-resourced
- Review of performance on the KPIs
- Review of exclusions to determine whether any items could be included within the PPP/PPV
- Benchmarking of the contract to other contracts both on a cost and value basis

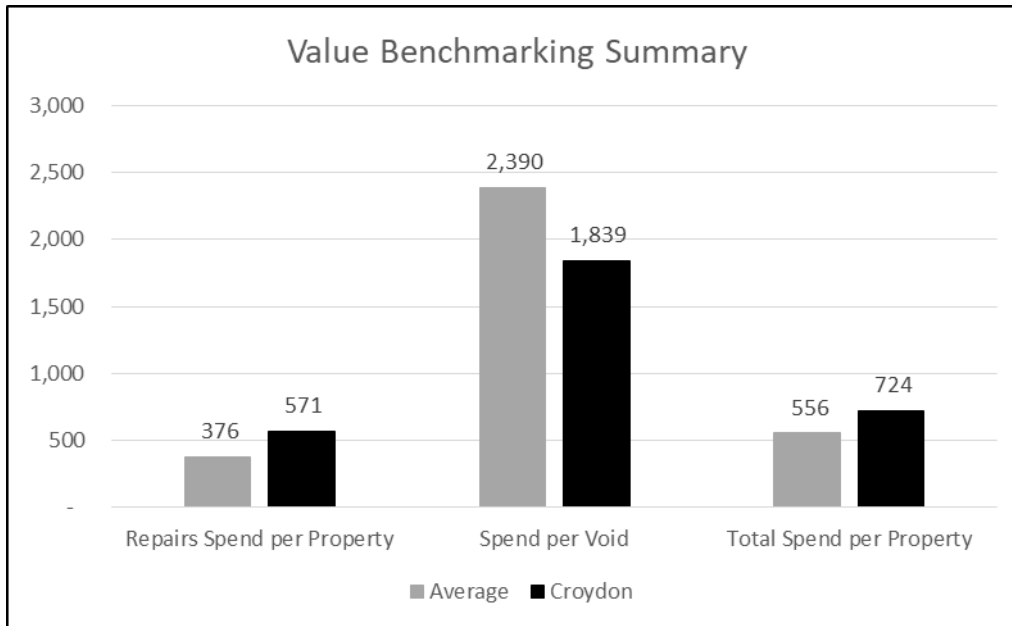
The outcome of the Open Book review for 2018/19 had the following commercial recommendations:

- Partnership to review the exclusions orders which may be incorrectly allocated as exclusions. *This applied to 5 of 98 (5%) of orders sampled.*
- Partnership to review those SORs which may not have been applied correctly. *6 of 150 items sampled.*
- Partnership to review use of repairs workstream for larger works to determine whether it is cost-effective. *Works over £2,000 total of 208 in year. This is primarily due to increase in roofing works.*
- Partnership to review customer satisfaction KPI in months of poor performance to better understand why these dips in satisfaction are occurring and what can be done to avoid this in the future.
- Partnership to review any possible changes that have contributed to improved performance of first time fix KPI
- Axis to review void process to ensure defect free handover
- Partnership to review properties with a high volume of repairs this year, and those from last year's report which continue to be visited more often to determine whether they would benefit from planned/capital improvement works. *This data has been analysed and mainly relates to works after fire, flood, major works and disrepair cases.*
- Partnership to monitor high spend properties on a regular basis to ensure that works could not be delivered in a more efficient way

- Partnership to review the use of sub-contractors for repairs. *This is due to increase in level of sub-contractors being used.*
- Axis to continue to review Site Overheads for repairs and voids as well as review increase in staff to determine whether this increase has provided value.

2.6 Benchmarking of costs

We are using data supplied by Echelon whose involvement in multiple repairs and maintenance contracts gives us the opportunity to benchmark Croydon spend against other similar organisations. The summary is as follows:



Repairs spend per property is higher than benchmark and is causing a higher than benchmark total spend per property. This is in line with the increased repairs per property and decreased properties with no repairs. On average 2.38 repairs are carried out per property, a total of 4,186 properties have had no repairs carried out in the year. This is a similar level to last year (4,192) and equates to 29% of Croydon's tenanted properties. The average repairs per dwelling is slightly above that of other organisations, and the percentage of properties with no repairs is lower than other organisations.

As expected, in line with the order volumes, there is a large proportion of properties which have very little spend, with 10,783 properties having £0-£250 cost. At the high end, there are 42 properties which have a repairs cost of £2,500 or more

When comparing to last year generally the value and volume of dwelling repairs has increased significantly from 1,724 (£599k) to 2,695 (£1.1m). This increase is in part due to the substantial increase to high value works as well as some other types of works that did not occur last year such as fire door repairs, upgrades and installation and generally higher volumes of these.

Croydon's void spend is lower than the benchmark however it is not the lowest of all benchmarked and appears to be at a reasonable level.

2.7 Resident/stakeholder feedback

Responsive repairs by their nature start with customer contact and the effectiveness of this process in terms of contact handling, diagnosis, work-scheduling and 'warm' hand-offs (where calls are transferred to another service) goes to the heart of service efficiency and customer satisfaction. Repairs calls are taken directly by Axis into their Croydon based Contact Centre. Residents also have the facility to report both emergencies and routine repairs out of hours to the 24/7 Call Centre based at Stratford. Repairs can also be reported on line via 'My Account'. The Responsive repairs service is one of the highest users of My Account. The IT development plan includes work to develop a repairs reporting APP.

As part of a wider Housing Contract review our Partnering Advisors Echelon were requested to provide an evaluation of tenant's opinions of the current service they receive. The evaluation commenced in July 2019 and was carried out over a 3-day period. Croydon instructed echelon to target the following tenants:

- Tenants who have received between 1 and 3 repairs in the last 12 months
- Tenants who have received 4 and above repairs in the last 12 months

A total of 87 tenants were approached to participate in this consultation exercise, of which 40 agreed to take part. The results of this consultation are based upon the feedback from these 40 tenants. This was supplemented by other methods of resident feedback undertaken in parallel up to the end of October 2019 through digital means including the council website. Details of this feedback is shown in **Appendix 3**.

2.8 Social Value

Axis' bid included a number of Social Value, Community Benefit and Supply Chain proposals against those elements of the Term Brief, supporting the Croydon Social Value toolkit objectives and ensuring we meet the requirements of the Social Value Act 2012. Social value is a key part of the Axis contract and they have been fully committed to delivering a range of activities and opportunities and this continues to be an area of focus for the Council and for Axis.

On a quarterly basis a social value report is provided to councillors to provide specific details of the social value activities that are being delivered through this contract.

The report links directly to the contractors promises that were provided during the tender process and include the following headline categories:

- Apprentices
- Work experience and work placements
- CV support, career advice and coaching
- Make a difference days
- Job fairs
- Axis volunteering
- Training skills
- Additional corporate activities
- Additional community benefits

Axis have embraced social value and deliver significant social value for the Council through this contract and ongoing review and reporting will ensure that this continues. Examples of Axis social value activities so far for the 2019/20 period include:

- 10 apprentices in place – 8 male/ 2 female and a range of age groups
- Full engagement with Croydon Works for employment opportunities
- Axis Contract Management facilitated mock interviews for students at Croydon College in April
- Axis Commercial Manager participated in ‘Learn to Earn’ event at Croydon College in June
- 2 volunteering days by Axis Croydon branch supporting Council projects
- Axis launched new volunteering channel on Microsoft Teams with Axis Community Investment Team posting new volunteering opportunities to employees on a weekly basis
- Axis attended Croydon Works Employability Day at Jurys Inn in June
- Repairs and Maintenance project development team, Axis Marketing Team and Axis Croydon Apprentices participated in and completed filming of 11 handy hint DIY videos that are shared on Axis and Croydon Council websites and were publicised with links to website in Open House resident’s newsletter.
- Axis purchased over £2,000 worth of materials and tools to facilitate Community Payback (adult & youth) teams to carry out work in sheltered housing schemes e.g. garden clearance, gardening, refurbishment of garden furniture
- Axis part sponsored International women’s day event at Box Park
- Axis sponsored Croydon Council staff awards and Croydon Community Awards.

2.9 Risks – mitigation of risks and service continuity.

The inclusive price per property model puts risk on to the service provider to maintain the Council’s housing stock. This risk is mitigated by maintaining Croydon’s strategic asset management function thereby making best use of resources and data about the stock to ensure that investment in stock remains proactive and focused on the synergy between repairs and the capital delivery programme of planned maintenance. This could mean making a decision to replace rather than repair for example. The risk is also mitigated by the governance and financial monitoring processes that are in place supported by access to real-time data via ICT links between Axis and Council systems.

Reliance on one supplier to deliver services increases the impact of possible supplier failure due to either financial or technical delivery issues. This was initially mitigated through a thorough analysis of supplier capability and financial robustness as part of the PQQ process and is supported by an on-going contract management strategy focused on performance management and business checks. Should failure occur, there is a specific Business Continuity Plan for supplier failure in place setting out the governance, process and contractual arrangements that will allow for emergency and urgent works to be picked up whilst short term procurement is carried out. The need for re-procurement is mitigated by ensuring a robust termination provision in the contract and adequate assessment of financial viability and sustainability of the contract as well as ongoing business continuity and contingency planning.

The risk of performance failure – this has been mitigated through an agreed governance and performance management structure whereby improvement plans are put in place should a key performance indicator and minimum level of acceptable performance not be met. Non-achievement of a fundamental performance indicator results in loss of variable profit.

Protecting Council budgets – the risk of increasing costs is mitigated through the use of the price per property model together with the ability to comprehensively analyse

detailed repairs data through shared ICT. Access to the detail behind the repair is an ongoing process and supports the implementation and delivery of efficiencies. There are a number of mechanisms in the contract that mandate this. There is provision for inflationary increases using the CPI index however these will have to be demonstrated and are not automatically applied. Shared repairs data is being used to help identify high cost repairs, high cost properties and communal works pressures to aid alignment of budgets and planned programmes of work as well as address any property misuse.

3. LEGAL CONSIDERATIONS

3.1 The procurement process to award the new repairs contract was carried out in accordance with the requirements of the Council's Tenders & Contracts Regulations and meets the Council's duty to secure best value as provided under the Local Government Act 1999.

4. FINANCIAL CONSIDERATIONS

4.1 None for the purposes of this report.

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BACKGROUND DOCUMENTS: None

APPENDICES: Appendix 1 - Axis performance information – full contract years to date.
Appendix 2 – Contract costs
Appendix 3 – Resident/stakeholder feedback summary
Appendix 4 - Complaints analysis