

This Report will be made public on 5 December 2023

Report Number **C/23/65**

To: Cabinet
Date: 13 December 2023
Status: Key Decision
Responsible Officer: Gill Butler, Chief Officer – Housing
Cabinet Member: Councillor Rebecca Shoob, Cabinet Member for Housing and Homelessness

SUBJECT: HOUSING REPAIRS & MAINTENANCE OPTIONS
APPRAISAL RECOMMENDATION FOR
PROCUREMENT

SUMMARY:

The Housing Repairs and Maintenance (R&M) current contract with Mears Ltd is due to expire 06/04/2025. The contract is a critical customer facing one as it currently includes all Responsive Repairs and the Planned Maintenance service, (incl. replacement kitchen and bathrooms - capital programme), also Void repairs and some Compliance related services. This contract is Housing's largest and the council's second highest in terms of spend. Following presentation at Overview and Scrutiny Committee (OSC) on 26 September 2023, a full Options Appraisal Report is attached at Appendix 1.

REASONS FOR RECOMMENDATIONS:

Cabinet is asked to agree the recommendations set out below in order to ensure that the council housing assets service is able to procure a new Repairs & Maintenance contract that continues to provide a good level of service delivery, meets legislation and provides value for money to our council tenants and leaseholders.

RECOMMENDATIONS:

1. To receive and note report C/23/65.
2. To note the Options Appraisal at Appendix 1 that evaluates the risks, benefits, and likely costs of options to deliver the responsive repairs and maintenance service.
3. To agree the recommendation to commence a re-procurement exercise based on:
 - (a) A single Integrated contract for Repairs, Voids and some aspects of Planned Works; and
 - (b) Separate individual contracts for aspects of Compliance and the mechanical and electrical (M&E) workstreams.
4. To note that a further report with detail of the recommended contract award will be provided to Cabinet.

1. BACKGROUND

- 1.1 The council housing service owns and manages approx. 3,400 homes, 18% of the stock is Independent Living (Sheltered Housing for older residents).
- 1.2 The current R&M contract was originally awarded to Morrisons, who were taken over by Mears Ltd and the contract novated in 2013. When the council housing stock came back in house from the East Kent Housing ALMO¹ some of the service delivery of the four contracts had become merged and F&HDC worked closely with Mears to maintain the continuity of the R&M service and extend the contract, rather than re-procuring at the time. Under the terms of the contract our last and final extension takes us to April 2025.
- 1.3 The current annual cost of the total R&M contract is approx. £3,525,000. Current contract cost breakdown p.a.:
- Responsive Repairs and voids – over £1,900,000
 - Planned works - £1,395,000
 - Compliance works - £230,000
- 1.4 So, over a 10-15 year period a re-procured service would equate to a total approx. £35M - £55M subject to indexation. This has been assumed at £42M across 10 years in the revised Housing Revenue Account (HRA) Business Plan, however once this contract has been awarded the HRA Business Plan projections will be adjusted accordingly year on year.
- 1.5 Because of the complexity of the contract the F&HDC Housing and Procurement teams appointed Project Consultants - Faithorn Farrell Timms (FFT) in June 2023 to provide commercial experience, technical knowledge, and project management skills to support the council through the project stages.
- 1.6 A desk market exercise was initially carried out by FFT, followed by stakeholder workshops and consultation with housing staff, tenants and Members. FFT have now used this feedback, along with market intelligence to provide a full Options Appraisal to F&HDC to help the council make an informed decision about the way forward with this important customer facing contract.
- 1.7 F&HDC's Corporate Plan sets out our assurance 'to provide Quality Homes and Infrastructure', and this underpins our commitment as a council housing service to ensure that we not only meeting the legislative requirement to provide our tenants with a safe, secure and well-maintained home, but also our Tenant Charter states:
- 'We will aim to respond to all reasonable repair requests in an appropriate time frame and we will treat health and safety issues as a priority'.*
- 'Provide you with a good quality home and keep it in a good state of repair. We will also look to invest in and improve our neighbourhoods through environmental improvement programmes and regular surveying for modernisation, repair and compliance work'.*

¹ ALMO Arms length management organisation

- 1.8 The top three priorities agreed with Members at the OSC meeting in January 2023 puts an emphasis on: *1. Compliance - Tenant Health & Safety and wellbeing / 2. Housing management delivery, repairs and ongoing maintenance / 3. Decent Homes - investment and capital Improvements to our stock.*
- 1.9 A number of delivery options have been fully considered including:
- A Direct Labour Organisation (DLO)
 - A Joint Venture (JV)
 - A Single outsourced Contract
 - Multiple outsourced Contracts
- 1.10 It should be noted that drivers such as; size, geographical location, previous experience with different forms of delivery models, and the current challenges housing providers and the market are having to navigate in terms of the lack of labour, increasing material costs, increasing fuel and energy costs, etc., meant that FFT did not support a recommendation for a DLO option as appropriate for F&HDC at this time (See Section 11).
- 1.11 Each of the options, along with the risks, benefits and indicative costs, can be viewed in Appendix 1 - Options Appraisal Report Sections 10-12 and have been fully considered by F&HDC housing service.
- 1.12 In order to meet the key objectives and requirements of F&HDC, as well as driving efficiencies across the service, the following option appears to offer the best solution and is therefore recommended for re-procurement: -
- A single Integrated contract for Repairs, Voids and some aspects of Planned Works i.e., kitchen & bathroom replacements and disabled adaptations.
 - Separate individual contracts for aspects of Compliance and the mechanical and electrical (M&E) workstreams (such a fire alarms, electrical installation condition reports, lifts, etc.). The main benefits of this option are set out within Section 11 of the Options Appraisal Report.

PROJECT TIMETABLE

- 2.1 Below is a draft timetable based on the detailed project plan. It is envisaged that the housing team and FFT will conduct a restricted two - stage tender for this contract which allows for full evaluation and consultation.

Stage 1 – Options Appraisal.

Stage 2 – Preparation.

- Tender preparation including detailed specification, new draft contract, and evaluation criteria – Dec.23
- Section 20 Notices issued – Jan.24
- First draft of procurement documents – Feb./March 24
- Contract Notice published by – April 24
- PAS91 submissions evaluated and Tender issued – June 24
- Tender return date – July 24

Stage 3 – Evaluation.

- Tender evaluation period – July/Aug. 24
- Tender Report – Aug.24 and signed off by F&HDC (1 month allowed for council governance approval) – Sept. 24
- Standstill period concludes – Oct. 24
- Section 20 / Compliance paperwork – Early Nov. 24
- Contract awarded /mobilisation commences– Late Nov. 24

Stage 4 – Mobilisation and implementation. – As fundamental to the project success as the procurement itself. The two key issues to be resolved focus around IT and TUPE. Addressing items such as de-mobilisation of the existing contractor, preparation of the risk register, staff training etc. also critical.

- Contract commences - 07/04/2025

2.2 **Members will receive the outcome of the tender and recommendations for approval on appointment of the successful tenderer in September 2024.**

3. PROJECT COSTS

3.1 Although we are not able to indicate at this stage the total cost of the re-procurement, we have allocated £48K over 12 months in the budget to procurement project costs, which includes FFT consultancy.

3.2 As the tender progresses we also envisage we will incur some Legal support costs around the preparation of F&HDC contract documentation. We have therefore allocated up to £15K in the 24/25 budget.

3.3 During the mobilisation phase IT integration development costs may be required with the NEC housing system to ensure that the successful tenderers' systems can interface with our own systems to provide a seamless IT service to the customer. So, we have allowed up to £20K in the NEC development budget in 24/25 to cover this.

4. RISK MANAGEMENT ISSUES

4.1 The risks are fully set out in the Options Appraisal report, however a summary of the perceived risks to a delay to re-procurement are:

Perceived risk	Seriousness	Likelihood	Preventative action
Timescale to re-procure and mobilise tight	High	Medium	Agreement to proceed with re-procurement in December 2023 will enable enough time for a thorough procurement process and mobilisation plan.
Not attracting suitable contractor/s as part of the	High	Low	Issuing a PID prior to tender will identify suitable interested contractors.

procurement process			Tender specification and documents designed to ensure offered contract/s attractive to suitable qualified, experienced companies.
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5. CONSULTATION

- 5.1 Consultation has already taken place with Tenants - members of Strategic Tenants Advisory Panel attended a feedback workshop with FFT on 12/09/23 which has fed into the Option Appraisal Report.
- 5.2 Tenants will be involved as part of the procurement process, assisting with the evaluations of prospective contractors at submission stage. FFT will ensure tenants are suitably trained to understand their role in helping the council housing service procure the best possible R&M service for the benefit of all our tenants and leaseholders.

6. IMPLICATIONS

- 6.1 **Legal** - External legal advice may need to be sought in order to assist the Council in the procurement of this contract due to its potential complexity. Although it is difficult to estimate the costs for external lawyers, legal services would suggest that around £12k is set aside for the external legal advisers based on previous procurement exercises. Legal services will of course seek at least three quotations and instruct the lawyers that represent the best value for money.
- 6.2 **Finance Officer's Comments** - All necessary financial information and implications are included within the body of this report. The final tender price will not be known until procurement process has been completed.
- 6.3 **Equality and Diversity** - There are no negative equality or diversity implications directly arising from this report. Equality Impact assessments will be carried out as required.
- 6.4 **Climate Change** – There are no direct climate change implications arising from this report. All contractors are required to have considered and assessed climate impact and this will be part of the tender process.

7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

Mick Hale, Housing Asset Lead Specialist
 Email: mick.hale@folkestone-hythe.gov.uk

Gill Butler, Chief Officer, Housing
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Appendix 1 - Options Appraisal for

Repairs, Voids, Planned Works and Compliance Works

On behalf of Folkestone and Hythe District Council

Prepared by Paul Smith, Faithorn Farrell Timms