



Notice of KEY Executive Decision

Subject Heading:	2 Year Extension of the Responsive Repairs Contract.
Cabinet Member:	Councillor Joshua Chapman
SLT Lead:	Gerri Scott, Interim Director of Housing
Report Author and contact details:	Elina Rice, Housing Services Elina.Rice@havering.gov.uk 01708 433557
Policy context:	HRA Policy and Budgets
Financial summary:	The cost of the 2 year extension of the contract for Responsive Repairs with Breyer Group will be funded from the HRA Revenue budget.
Reason decision is Key	The decision is Key because the cost of the extension is expected to be in the region of £3.3 million pounds per year.
Date notice given of intended decision:	20 December 2018
Relevant OSC:	Towns and Communities
Is it an urgent decision?	No
Is this decision exempt from being called-in?	No

The subject matter of this report deals with the following Council Objectives

Communities making Havering
Places making Havering
Opportunities making Havering
Connections making Havering

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

In March 2014 the Council entered into a 5 year contract with Breyer Group ('Breyer') to deliver responsive repairs to Council housing stock, with an option to extend for a 2 year period.

The initial 5 year term expires in March 2019 and a decision is being sought to extend the contract for a further 2 year period to March 2021 in accordance with the provisions contained within the contract.

AUTHORITY UNDER WHICH DECISION IS MADE

The Council's Constitution provides at part 3 Responsibilities and Functions, sub section 2.5

"The following Functions may be delegated to individual Cabinet members by the Leader"

- (h) To award contracts, agree extensions of contract terms and awards/extensions of Consortia contracts of a value above £5,000,000 and up to £10,000,000 and contracts where external funding is guaranteed and there is no longer term financial commitment to the Council.

Upon the appointment of Cabinet Members on 30 May 2018, the Leader delegated the above function to Councillor Joshua Chapman.

STATEMENT OF THE REASONS FOR THE DECISION

The contract with Breyer for the responsive repairs to Council housing stock was originally awarded for a five year term, with an option to extend for a further two year period. The initial 5 year term is due to expire in March 2019.

We have undertaken benchmarking which indicates that the current contract provides the Council with good cost certainty, value for money and an average level of customer service. In order to gain the maximum benefit from the contract, it is intended to extend the existing contract for the single two year period in accordance with clause 13.1 of the contract during which time a new contract will be procured.

The cost of the repairs service is fully funded from the HRA budget and any savings made will be reinvested into the HRA. The approximate cost of the contract is £3,300,000 per annum and will continue to be funded by the HRA.

Planning for the procurement process for a new contract to start in March 2021 has begun. We have engaged an independent resource to review the most appropriate model to deliver the service fit for the future that will meet Havering's needs. This is planned to be completed in December 2018 and residents are being involved in the process.

Following approval of the approach, actuarial and pensions advice will be sought and contracts will then be drafted and procured. It is anticipated that the overall procurement process will take between 18-24 months to complete this will include obtaining pension approvals after the tender period and the mobilisation of the new contract. Continuing with the existing contract arrangements during this period will provide the Council with a service delivering good value for money, a good level of cost certainty and will minimise any disruption in the service being provided to our residents. The re-procurement period will also provide the Council with the opportunity to refocus the existing service with Breyer to deliver a higher quality and more customer focused approach for residents which will also be implicit in the procurement strategy for the future contract.

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Background

The current contract is delivered on an all-inclusive 'price per property' basis, the cost is £205.09 per property per annum regardless of the number of repairs required.

Breyer typically undertake 30,000 orders per year on the Council's behalf.

Since the commencement of the contract, with the exception of a few specialist sub-contractors, Breyer has delivered the service predominantly using a directly employed workforce. 50% of the directly employed workforce lives within the Borough and 13% of those are Council residents.

In addition Breyer have a social value investment programme, where they engage with the local community through the Breyer Foundation and run regular job clubs, training courses and workshops for local residents and have also taken on a number of local apprentices. These initiatives add value to the contract and to the local community.

The contract was awarded using a Partnering contract and has been managed through regular monthly contract meetings and quarterly Partnership board meetings, attended by the Director of Breyer and senior managers from the Council where performance is reviewed and action plans implemented, aimed at improving performance where shortfalls have been identified.

Since March 2014, the contractor has achieved a good level of performance in a number of key areas that are monitored through our contract management processes. Key performance indicators have consistently been met in the following areas:

Appointments made and kept	95%
Customer satisfaction with repair	95%
Post-inspections Undertaken by the Contractor	10%

However, Breyer have found it challenging to meet the target of 95% "repairs completed on time" but have achieved a level of around 89% fairly consistently. We will, throughout the remainder of the contract and during any extension, be working

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with Breyer to drive further improvements in performance and customer satisfaction and in addition look at ways to develop Havering's approach to contract management that will assist us in driving further improvements from this and future contracts.

As part of the Council's transformation of Housing Services, we will be looking to review our approach to contract management and bolster the skill set of our teams. Bolstering the skill set of our contract managers will inevitably improve performance and enable the Council to maintain the good value for money and cost certainty delivered through the existing contract. We are in the process of doing this and this will underpin the way in which we configure the asset management function for the future.

Extending the existing contract will give the Council time to properly procure a new contract and provide cost certainty for the next two years. During that time we will review, improve and hone our approach to align with the commencement of the new Responsive Repairs contract, in order to enable us to get the best out of our new contract and contract providers to deliver a much improved service to our customers.

OTHER OPTIONS CONSIDERED AND REJECTED

Allow the current contract to terminate at the end of the initial 5 year term and enter into interim arrangements to continue delivering the service whilst procuring a Term Contract.

This option was rejected because

- It will cost more than extending the existing arrangements. The current contract provides very good value for money. The Council would also lose cost certainty associated with the cost per property model, and it would not necessarily deliver an improved service.
- Given that the contract will be a short term solution it is considered more

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appropriate from a service delivery perspective to continue with the existing provider and work with them to improve the existing service.

- For any new provider there will be TUPE implications and pension liabilities for operatives employed by Breyer who were originally part of the Council's DLO that will need to be met. This will limit the market that may be willing and able to take on the interim contract and that will have an impact on cost.

Such an interim contract would still have a value in excess of the European procurement thresholds. It would therefore require a lengthy and expensive procurement process.

PRE-DECISION CONSULTATION

Consultation with tenants and leaseholders was carried out prior to the award of the original contract. This included the contractual provision to extend the contract for the further 2 year term.

Residents are being consulted regarding the options for the future delivery of the repairs service.

The current contractor has indicated their willingness to continue to provide the service for this extended period.

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: Elina Rice

Designation: Responsive Repairs Manager

Signature:



Date: 7/12/2018

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

This report seeks approval to extend the Responsive Repairs Contract for a period of 2 years.

The option to extend the term was contemplated at the time the contract was awarded and the contract notice permitted the contract to continue past the defined period for a further 2 years. Furthermore, clause 13.1 of the contract enables the parties to extend the 5 year term from 2019 until 2021.

Therefore, the proposed extension is in compliance with the limitations imposed by the Public Contracts Regulations 2015 and Regulation 72(1)(a) in particular.

The Council's Contract Procedure Rules state that for an award following an OJEU-compliant procurement, an extension may be approved if the value of the extension period does not exceed 50% of the awarded contract value. The estimated expenditure for the 2 year extension was included in the awarded contract value. Therefore, the extension will not exceed the awarded contract value at all.

In accordance with Contract Procedure Rule 19.8, the reasons and authority to extend the contract must be recorded in writing and loaded onto the Council's preferred e-tendering suite.

The original contract was executed as a deed under the Council's seal. The extension must therefore be completed by way of a Deed of Variation.

FINANCIAL IMPLICATIONS AND RISKS

The value of the contract for the 2 year extension, commencing March 2019 is estimated to be;

	18/19	19/20	20/21
<i>Duration</i>	<i>1 month</i>	<i>12 months</i>	<i>11 months</i>
Responsive Repairs Element	279,139	2,783,582	2,504,443
Pension Liability	3,750	45,000	41,250
Out of Scope Works	12,336	82,000	68,984
Inflation	22,065	258,000	298,292
	317,290	3,168,582	2,912,969

These figures include assumptions about future inflation and property numbers, so may change. The Responsive Repairs Element also covers works on blocked drains & replacement locks, as well as an amount for TUPE bonus payments.

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The cost of the contract will be funded from the Responsive Repairs Contract budget (A29220).

**HUMAN RESOURCES IMPLICATIONS AND RISKS
(AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)**

There appear to be no HR implications or risks arising directly as a result of extending the existing contract.

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants.

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Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed ✓

Delete as applicable

~~Proposal NOT agreed because~~

Details of decision maker

Signed



Name: **CLlr JOSHUA CHAPMAN**

Cabinet Portfolio held: **HOUSING.**

CMT Member title:

Head of Service title

Other manager title:

Date: **20 December 2018**

Lodging this notice

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Democratic Services Officer in Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on 20/12/2018

Signed J.P. [Signature]



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