

APPENDIX A

OPTIONS FOR RESPONSE REPAIRS & VOIDS CONTRACT

Background

1. The Contract is known as The Response Repair and Maintenance Service Agreement and commenced on the 1 October 2004. The contract was for a duration of four years and extendable by one year. An extension was granted in October 2008 which has now come to an end.
2. The Contract consists of day-to-day repairs and maintenance to occupied and unoccupied housing stock within the Contract area, together with change of tenancy and minor building works. The Contract also includes work to garages.
3. The total annual budget is approximately £2,100,000 which is split equally between the three areas (east, west and south) equating to approximately £700,000.00 each.
4. The current arrangements are that the DLO has the east and west areas and Cambridge City Services has the south.

Considerations

5. The Council has to consider how well the repairs service (cost and quality) is currently delivered to its tenants, what is required for the future and who would be best placed to provide that future service.
6. The Tenant Services Authority (TSA) will become the new regulator for council housing in April 2010. Its focus will be primarily on the level of resident involvement and the satisfaction tenants have with the service that the Council provides as their landlord, relating particularly to repairs and maintenance. The Council is currently achieving an 83% resident satisfaction level (2008 STATUS Survey) with repairs and maintenance which nationally equates to a second quartile performance. The ability to maintain high levels of tenant satisfaction will be an important factor in determining who supplies this service in the future.
7. Benchmarking of the DLO's typical costs of £100 per repair places the performance of the DLO as above average in quartile two (Housemark).
8. An independent consultant report in November 2005 (Echelon) identified the in house provision of the repairs service as that which would provide the Council and its tenants with the best value for money and quality of outputs.
9. Independent legal advice has been obtained from Trowers & Hamblins in October 2009 which confirms that the Council would be acting within its powers under EU contract legislation if it chose to retain the responsive repairs work in house.
10. A business plan has been modelled internally with the assistance of an interim property services manager, which demonstrates the ability of an in house DLO to generate a trading surplus over a five year business plan which could be reinvested in the housing service.

11. This option also allows for the continuation of the £200,000 annual contribution that the DLO makes towards the General Fund. This would require further savings to be made on the General Fund in addition to the requirement to save £2.2 million recently identified.
12. If the contract is tendered and won by an external contractor then the Council's DLO staff would be transferred (under TUPE) to the selected contractor. If the DLO was awarded the contract then the staff from Cambridge City Services would be transferred (under TUPE) to South Cambridgeshire District Council.

Options

13. There are essentially two options for the Council. To retain the work in house or to put the work out to competitive tender.

Retaining the responsive repairs work in house

14. Legally the Council has the option of not tendering the contract work at this stage. It could choose instead to carry out further external benchmarking and to pursue a programme of service improvements to increased productivity. This would also allow time to pursue negotiations with Cambridge City Council to explore potential areas for joint working.
15. A decision not to tender would save approximately £35,000 to £50,000 of costs associated with the tendering of the contract.
16. There is a risk that the DLO may not achieve the surpluses identified in the business plan. If the anticipated productivity is not achieved, the Council has the right to tender out the work at any time.
17. This course of action however would not provide a direct market test to ensure that full value for money is being achieved for the Council.

Tender the responsive repairs contract

18. Now that the current contract has finished the Council has the option of undertaking a competitive tender of the response repairs and voids work. This carries with it both potential advantages and risks:

Advantages of tendering

- Provides an opportunity to market test the existing Schedule of Rates used by the DLO
- Provides an opportunity to identify efficiencies through economies of scale that could result in lower unit costs with the potential for greater outputs for the money available.
- Can test whether prevailing market conditions can deliver very competitive rates. There are uncertain market conditions as a result of the economic downturn – some firms have not done well but those remaining are strong performers.

Risks of tendering

- The Council would need to obtain specialist procurement advice to advise on the appropriate form and terms of the contract.
- The loss of the £200,000 annual contribution that the DLO makes towards the General Fund if the DLO fails to retain the contract. This would require further savings to be made on the General Fund in addition to the need to save £2.2m recently identified.
- Potential drop in levels of tenant satisfaction

Timeline

19. In order to complete the full OJEU compliant tender process the indicative timetable would be as follows:

Indicative timetable

| | |
|--|------------------------|
| Select procurement consultant and soft market testing leading to appropriate specification design. | November/December 2009 |
| Prepare documents and complete tender specification with CEO/SMT sign off | January 2010 |
| PQQ issued | February 2010 |
| PQQs returned evaluated and shortlist drawn up | March 2010 |
| ITT issued | April 2010 |
| Tenders returned and evaluated | June 2010 |
| Ratification of decision and award notification | July 2010 |
| 'Go live' | October 2010 |

20. It is recommended that Cabinet delegate the decision on the final form of the tender and the ratification of the process to SMT.
21. In the interim the DLO would continue to provide the repairs service along with Cambridge City Services as the incumbent service provider.

Consultations

22. The DLO has been briefed on the implications of tendering this work and the proposals outlined in this paper.
23. Some preliminary discussion has taken place with consultants regarding the tender process.

24. Cambridge City Services have confirmed that they will continue to offer their current repairs service based on existing rates whilst the future of the service is decided. They have also indicated in a recent meeting that they would be amenable to a TUPE transfer of staff to SCDC if a decision is made to retain the work in house.

Conclusions/Summary

25. The Council needs to ensure a combination of best value and maximising tenant satisfaction.

Background Papers:

- Procurement advice from Trowers & Hamlins LLP (October 2009)
- Echelon report 2005