

## **Report to the Cabinet**

**Report reference: C-023-2012/13**

**Date of meeting: 9 September 2013**



**Epping Forest  
District Council**

**Portfolio:** Housing

**Subject:** Repairs Management Contract – Contract Renewal

**Responsible Officer:** Paul Pledger (01992 564248)

**Democratic Services:** Gary Woodhall (01992 564470)

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### **Recommendations/Decisions Required:**

- (1) That the Cabinet notes the outcome of the first three years of the “Insourcing” arrangements with Mears Ltd as the Repairs Management Contractor;**
- (2) That the contract with Mears Ltd as the Repairs Management Contractor be renewed for a further 3-years, with the rates adjusted in line with the Consumer Price Index in accordance with the terms of the agreement;**
- (3) That the Consumer Price Index also be applied to the “Incentive” payment of £2,000 per quarter as set out in the contract, subject to ALL contract KPI’s being met in each quarter; and**
- (4) That the Housing Scrutiny Panel considers and recommends to the Housing Portfolio Holder any future “Key Deliverables” and Service Enhancements that may be added to the agreement in Years 3-6.**

### **Executive Summary:**

In May 2011, the Council entered into a three-year contract with Mears Ltd as the Repairs Management Contractor as part of the Repairs Refresh Programme. Since then, the Council’s Housing Repairs Service has seen a stepped change in performance and service delivery. This report sets out the changes that have been made and the improvements that have been realised.

When extending the existing agreement, the Council is able to add further new “Key Deliverables” to the contract, and this report recommends that the Housing Scrutiny Panel considers and recommends to the Housing Portfolio Holder what these may consist of and the benefits they will bring to the Council and its tenants. Members should note a report to the Cabinet in September will be recommending one additional “Key Deliverable” relating to the Council’s out of hours service.

### **Reasons for Proposed Decision:**

The agreement with Mears Ltd as the Repairs Management Contractor was initially for a three-year term, with an option to extend for up to two more terms of 3-years. In April 2014, the Council needs to enter into a further contract for three years in accordance with the initial OJEU Notice.

### **Other Options for Action:**

Not to enter into a new contract with Mears, and to revert back to a DLO managed in-house. However, this would mean procuring a new IT package to replace the one currently used by the Housing Repairs Service licensed by Mears.

Not to enter into a new contract with Mears, and to re-tender to appoint an alternative Repairs Management Contractor. This would mean placing a new notice in the OJEU and undertaking a further procurement exercise.

### **Report:**

1. In April 2011, following an OJEU procurement exercise, the Cabinet agreed to enter into a three-year contract with Mears Ltd as the Repairs Management Contractor (RMC) to implement changes in the Housing Repairs Service that would see improvements in service and performance. Subject to the performance of the RMC, that contract could be extended by two further three-year terms. The first three-year term expires in April 2014; therefore it is important to consider the options to extend early enough so that should the Council wish to re-tender the contract, sufficient time is allowed to undertake such an exercise.

2. Since May 2011 when the contract was let, Mears have implemented all 5 of the contract "Key Deliverables", namely, the introduction of an efficient IT System that is integrated with the Council's OHMS Repairs Module, Mobile Working, an appointment system for all repairs, a supply chain solution (for the purchase of materials), and the introduction of a pricing system that accurately costs each job.

3. Within 8 months of the contract commencing, the Mears MCM IT system was implemented and in full operation, which saw an appointment-based process with mobile working for operatives introduced. Combined with Health & Safety audits, risk assessments, changes in working processes and behaviour, the performance in repairs targets improved almost overnight, resulting in the Council achieving all of its repairs KPI's last year for the first time ever. To put this into perspective, the Council is now able to undertake ALL repairs, irrespective of priority, within an average of just 6.21 days, with emergencies being completed within an average time of 4 hours. This is a vast improvement on around 84% of all routine repairs being undertaken in 8 weeks and emergencies undertaken within 24 hours, which was the case when the former Building Maintenance Works Unit was incorporated into the Housing Directorate under the last Corporate Restructure in 2008.

4. The concept of "Insourcing" was first considered and approved by the Cabinet in May 2008, when it was agreed to reduce the number of craft workers, but retain a core to undertake a proportion of the day to day ad hoc repairs to the Council's housing stock, and/or repairs to void properties, with the balance of the work not undertaken directly by the Council being externalised via new or existing framework agreements. Since that time, the Council has seen a reduction of over 10 fte staff in the Repairs Service. Despite this reduction (and saving in establishment costs), the average productivity has risen from around 1.3 jobs per person per day to around 5 jobs per person per day. This increase in productivity stems, in part, from the appointment-based approach to repairs, where tenants are providing access when appointed. This in turn has seen a reduction in the use of sub-contractors, rather than an increase as was expected, resulting in savings of around £600,000 per annum to the Housing Repairs Fund.

5. In May of this year, the final "Key Deliverable" to introduce a supply chain solution (for the procurement of supplies) was completed, some 12 months ahead of the target. With "Insourcing" being pioneered by the Council, the Cabinet is recommended to note the exceptional changes and performance of the Housing Repairs Service, and in particular the

Repairs Management Contractor.

6. With that in mind, it is time to consider whether or not to enter into a contract with Mears Ltd for a further three-year term, when the existing contract expires at the end of March 2014, as set out in the contract. Whilst the fees and costs were recorded in the original tender exercise, the contract prescribes the mechanism for future annual increases to these rates, which are calculated using the Consumer Price Index (CPI). This price uplift would now become applicable to the "Services" element of the contract, which currently stands at around £110,000 per annum. The latest CPI indicators would see a rise by around 2.7% for 2014/15.

7. As part of the contract terms, Mears are also entitled to receive an incentive payment amounting to £2,000 per quarter, subject to ALL contract KPI's being achieved in the quarter. These were not subjected to an annual increase in the original contract. However, in the spirit of Partnering, it is recommended that these too be increased in line with the Consumer Price Index in a similar way as the "Services" are uplifted. This would result in an increase of around £54 per quarter.

8. The Contract named the Repairs Manager put forward by Mears, with the expectation that this person would remain in position whilst still working for Mears. Mike Gammack was that named person, and has been very much at the heart of the success of the changes in the Housing Repairs Service, and it would be of great benefit to the Council if Mike Gammack was to remain in the role as Repairs Manager for a further period of time. Therefore, Officers have sought some reassurance from Mears on the future of Mike Gammack as the Repairs Manager. The response can be summarised as follows:

*"For the comfort of Council Members and Officers, I can confirm that Mike's work at Epping Forest District Council will remain his priority and he will continue to be based alongside the Housing Repairs Team and, to all intents and purposes, continue to report to the Assistant Director of Housing (Property) on a daily basis."*

9. Continuous improvement is the theme of the Repairs Management Contract, which is managed through the introduction of new "Key Deliverables" or Service Enhancements. Since the former Repairs Advisory Group (RAG), chaired by the Housing Portfolio Holder, was given delegated authority to consider future new Key Deliverables and Service Enhancements, it is recommended that since the RAG no longer meets, and its business now transferred to the Housing Scrutiny Panel, in future, all new Key Deliverables and service enhancements will be considered first by the Housing Scrutiny Panel, with recommendations made to the Housing Portfolio Holder.

10. The Cabinet is asked to note a new "Key Deliverable" relating to the future of the Council's Out of Hours Service is proposed for consideration at its meeting in September.

#### **Resource Implications:**

Around £110,000 per annum in "Services" and a further £8,000 per annum in "Incentive" payments, all to be funded from the existing Housing Repairs Fund.

#### **Legal and Governance Implications:**

The Repairs Management Contract was let in accordance with OJEU procurement rules, and was let with the option to extend to a maximum of 9-years in 3-yearly terms.

#### **Safer, Cleaner and Greener Implications:**

None.

**Consultation Undertaken:**

None.

**Background Papers:**

Cabinet reports in May 2008 and April 2011 on the restructure of the Housing Repairs Service and the appointment of the Repairs Management Contractor respectively.

**Impact Assessments:**

The need for separate Equalities Impact Assessments has been considered but deemed unnecessary, since a Housing Repairs Service and Asset Management Customer Impact Assessment has been carried out for all responsive repairs and planned maintenance works, which includes replacement kitchens. This includes monitoring customer satisfaction. Priority for works is based on the condition of the components in the home rather than the individual characteristics of the occupants.

The main risks to the Council and or mitigation factors have been taken into account are:

- Should the Council not enter into a new contract with Mears, or enter into a contract with any other Contractor, the level of performance and service may deteriorate.