

Report of: Head of Property – Belle Isle TMO

Report to: Director of Environment and Housing

Date: 17th December 2015

**Subject: APPROVAL OF EXTENSION OF BELLE ISLE TMO RESPONSIVE REPAIRS,
INTERNAL REFURBISHMENTS AND ADAPTATIONS (SCHEDULE OF RATES)**

CONTRACT 2011

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Middleton Park	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

- 1 Belle Isle Tenant Management Organisation (BITMO), on behalf of Leeds City Council, has a legal obligation to undertake repairs, maintenance and adaption works to dwellings which are under their current management agreement.
- 2 Morrison FS Ltd., which was subsequently purchased by Mears Group Plc, was awarded a five year contract from 1st October 2011 to 30th September 2016 for the responsive repairs, internal refurbishment and adaptation works to the Belle Isle TMO managed housing stock. This followed a formal procurement exercise undertaken on behalf of Leeds City Council and under the guidance of the then Leeds City Council Procurement Team.
- 3 Under the terms of the JCT Measured Term Contract an option is available to extend the contract for up to twenty four months

Recommendations

1. To authorise the proposed extension of the current repairs and maintenance contract with Mears Group Plc for a twenty four month period from 1st October 2016 for properties managed by Belle Isle TMO.
2. Note that resources are in place from Belle Isle TMO and PPPU to effectively extend the contract with the incumbent contractor.

3. Note that on Leeds City Council providing the notice of intent to extend the contract period under Clause 11.4 of the JCT Measured Term Contract, to allow for unit rates to be adjusted by an agreed amount following negotiation between representatives of Belle Isle TMO and the incumbent contractor

1 Purpose of this report

- 1.1 To provide detail of the requirement to engage the services of a repair and maintenance service contractor to undertake responsive repairs, internal refurbishment and adaptations to the Belle Isle TMO managed housing stock including void work and capital investment improvement works to domestic properties managed by Belle Isle TMO on behalf of Leeds City Council from 1st October 2016.

2 Background information

- 2.1 The provision of a property repairs and maintenance service is a legal requirement that the Council and its appointed Management Organisations are obliged to undertake to ensure that each property meets minimum lettable standards
- 2.2 Belle Isle TMO manages a contract on behalf of Leeds City Council in the Belle Isle area of the City. Mears Group Plc is the incumbent contractor and delivers this particular service to the Belle Isle TMO managed stock of approximately 1900 dwellings.
- 2.3 The current contract commenced on 1st October 2011 for the period of five years following a formal procurement exercise undertaken on behalf of Leeds City Council and under the guidance of the then Leeds City Council Procurement Team.
- 2.4 Clause 11.4 of the JCT Measured Term Contract allows for the option to extend the existing contract by a period of up to twenty four months from 1st October 2016 to 30th September 2018. This is subject to a review of the costs and efficiencies at the start of the final year of the initial contract period to assess the position for a possible extension. At the sole option of Leeds City Council, notice of reasonable length can be given to the incumbent contractor of the intention to extend the contract by a specified period.
- 2.5 On providing the notice of intent to extend the contract period, Clause 11.4 of the JCT Measured Term Contract further allows for unit rates to be adjusted by an agreed amount following negotiation between representatives of Belle Isle TMO and the incumbent contractor.
- 2.6 Contract Value

The current non-guaranteed combined capital and revenue values indicated in the original contract documentation for this contract are:

Repairs **£550,000.00** (Five Hundred and Fifty Thousand Pounds per year)

Void Work **£1,000,000.00** (One Million Pounds per year)

Adaptations **£250,000.00** (Two Hundred and Fifty Thousand Pounds per year)

Annual contract expenditure for 2015-2016 will be approximately at this level but with a higher proportion of expenditure on planned works.

3 Options Considered

3.1 Option 1 - Extend the Existing Repairs and Maintenance Contract

The existing contract allows for an extension of up to 24 months in combination with a re-negotiation of the existing schedule of rates. Mears Group Plc is the incumbent contractor who has expressed an interest in continuing to service the contract for the full extension period. As the end of the initial five year contract period is 30th September 2016, sufficient time is available to renegotiate the schedule of rates in detail. Current Belle Isle TMO resources are available to manage the transition with assistance as required from PPPU.

Mears Group Plc is providing good value for money. The current schedule of rates is currently 10.90% below the original competitively tendered value (12% without adjustment for inflation). This cost saving will increase to an estimated 13.66% to the end of the five year contract term based on current inflation figures (16% without adjustment for inflation). This has allowed increased planned and targeted investment in the housing stock and will provide a good basis to negotiate a cost beneficial fixed rate adjustment for the contract extension period. In addition the contract has proved a good source of employment for apprentices which has proved successful for five operatives.

Mears Group Plc has consistently provided a good repairs and maintenance service over the whole of the first 48 months of the contract period for all work streams. Co-located Mears Group staff has proved especially beneficial. For the current financial year the following performance figures are available to October 2015:

- 99.82% of reactive and planned repairs have been completed within target.
- 94.41% of reactive repairs have been right first time.
- 100% of recorded customer satisfaction surveys indicated full satisfaction with the service provided (verified by independent Belle Isle TMO surveys)
- Average contractor void property turnaround time for combined revenue and capital work is 5.29 days.
- 100% of major and minor adaptations have been completed within target with high customer satisfaction levels.
- High customer satisfaction levels have been received for kitchen and bathroom refurbishment works.

To ensure continuity of service and value for money it would be the favoured option of the Belle Isle TMO management to extend the existing contract with the incumbent service provider for a period of twenty four months at an agreed rate adjustment frozen for the full extension period.

3.2 Option 2 - Procure a New Repairs and Maintenance Contract

A further option open to the Council and Belle Isle TMO is to procure a new repairs and maintenance contract.

To undertake a full re-procurement exercise would require a significant resource input from Belle Isle TMO and PPPU staff for next calendar year. Available time to procure the contract is limited, it would need to be advertised in OJEU and any contractor appointed by a conventional tendering method will require a significant mobilisation period before being able to commence work on 1st October 2016.

Any current contractual cost benefits could potentially be lost through a re-procurement exercise. Even with efficiency savings written into in a new contract, there is no guarantee that the existing cost savings will be maintained especially in the early years of a new contract with a new contractor.

A new mobilised contract will also require a significant staff resource input to monitor performance and it would be unlikely that current performance levels would be matched during at least the first quarter of the contract period with a new contractor. Contractor mobilisation of compatible IT systems and co-location of contractor staff are additional factors that have potential to affect the quality of the initial service delivered.

A dedicated Mears Group Plc workforce is engaged solely or predominantly on the contract and would be subject to TUPE to a new contractor. This requirement could also have potential to disrupt the contract mobilisation.

For the reasons outlined it is not recommended to re-procure this contract until after the extension period has commenced.

4 Corporate Considerations

- 4.1 It is a legal requirement that Leeds City Council undertake repairs and maintenance works to dwellings where they are the landlord.
- 4.2 Adequate time is available to undertake a formal negotiation of a percentage change to the current value of the schedule of rates for the extension period which would commence on 1st October 2016 for up to twenty four calendar months subject to the proposed critical path outlined below being adhered to:

November 2015	Submission of Percentage Change to Schedule of Rates by Mears Group Plc – Subject to Inflation (Indicated Rate Submitted)
November 2015	Housing Contract Board Approval to Extension of Contract (Approved)
December 2015	Belle Isle TMO Full Board Approval to Extension of Contract (Approved)
January 2016	LCC Approval to Extension of Contract via Director Delegated Decision
June 2016	Final Schedule of Rates Negotiation for Inflation
July 2016	Change Request to Housing IT to Implement Rate Changes on Saturday 1 st October 2016
September 2016	Mobilisation

4.3 Consultation and Engagement

- 4.3.1 The current service provider, Mears Group Plc., has a small team based at the Belle Isle TMO office and the management team would recommend that this effective presence for an enhanced service remains and fulfil the Boards requirement for local employment.

- 4.3.2 TUPE will not apply to an extension of the current contract and Belle Isle TMO have confidence that Mears Group Plc., will maintain current employment commitments to this contract including successful on-going training and apprenticeships.
- 4.3.3 Belle Isle TMO has confidence that the incumbent service provider will strive to meet service levels required by Leeds City Council for the duration of this extension period.
- 4.3.4 Leeds City Council Housing Category Board have been consulted and approved the recommendations within this report, prior to reference to the Director of Environments and Housing for a formal decision.
- 4.3.5 Belle Isle TMO Board have been consulted and approved the recommendations within this report

4.4 Equality and Diversity / Cohesion and Integration

The current Belle Isle TMO Responsive Repairs, Internal Refurbishments and Adaptations (Schedule of Rates) Contract runs out 30th September 2016 with the option to extend for a further 24 months. The report seeks an extension to this arrangement for the 24 months.

Extending the contract will have a positive impact by ensuring Belle Isle TMO is able to continue to provide reactive and planned maintenance, minor refurbishment works and adaptations to properties to all service users across the Belle Isle TMO management area

The approval to extend the contract will ensure that Belle Isle TMO continues its service to maintain and invest in the housing stock it manages.

This will also ensure Belle Isle TMO can contribute to improving the standard of accommodation available for rent to all current service users and future service users.

Implementing the contract extension will have a positive impact on service users requiring this service and will maintain their homes and ensure safety and comfort.

Equality, Diversity, Cohesion and Integration Screening has been completed as per the original Contract Preliminaries and tender submissions.

4.5 Council Policies and City Priorities

- 4.6.1 It is a legal requirement that Leeds City Council undertake repairs and maintenance to dwellings where they are the landlord.

4.7 Resources and Value for Money

- 4.7.6 Existing Belle Isle TMO resources are currently in place, and will work jointly with support from PPPU to ensure continuity of service for the contract extension period.
- 4.8 It is felt that an extension of the existing contract will provide good value for money for the services provided under the contract.

4.9 Legal Implications, Access to Information and Call In

- 4.9.7 This is a Key Decision which is subject to call-in as the maximum cost of the extension within this decision is more than £250k per annum. A notice will be published on the List of Forthcoming Key Decisions following the full Belle Isle TMO Board approval.

4.9.8 This report does not contain any exempt or confidential information under the Access to Information Rules

4.10 **Risk Management**

4.10.9 Belle Isle TMO is effectively monitoring/managing the contract on a day to day basis to ensure continuity of service in accord with required Leeds City Council KPI targets.

Belle Isle TMO are confident that the negotiation of unit rates will maintain a cost saving below the original tender rates submitted at the start of the contract in October 2011.

A contract management plan as required by the Councils Contract Procedures Rules will be provided for the extended contract

5 **Conclusions**

5.11 If the proposed action(s) are not approved no contractor could be potentially available to undertake repair and maintenance work to any dwellings managed by Belle Isle TMO on 1st October 2016

5.12 Leeds City Council would be in breach of the legal requirement to undertake due Landlord Maintenance to Council dwellings in the area managed by Belle Isle TMO.

6. **Moving forward / Next Steps**

6.1 To complete the contract extension process as detailed at item 4.2

7. **Recommendations**

7.1 The Director of Environment and Housing is requested to:

7.1.1 To authorise the proposed extension of the current repairs and maintenance contract with Mears Group Plc for a twenty four month period from 1st October 2016 for properties managed by Belle Isle TMO.

7.1.2 Note that resources are in place from BITMO and PPPU to effectively extend the contract with the incumbent contractor.

7.1.3 Note that on Leeds City Council providing the notice of intent to extend the contract period under Clause 11.4 of the JCT Measured Term Contract, to allow for unit rates to be adjusted by an agreed amount following negotiation between representatives of Belle Isle TMO and the incumbent contractor

8 **Background Documents¹**

JCT Measured Term Contract and Contract Documentation for Belle Isle TMO Responsive Repairs, Internal Refurbishment and Adaptations Scheme (Schedule of Rates) Contract 2011

Performance Data from Leeds City Council Housing Management Software and recorded on Belle Isle TMO Contractor Performance and Liaison Monthly Meeting Minutes

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.