

Report of Head of Partnerships, Housing Services

Report to Director of Environment and Neighbourhoods

Date: 20 December 2012

Subject: Major Adaptation service for Aire Valley Homes Ltd and West North West Homes Ltd transferred from Morrison Facilities Services to East North East Homes Ltd

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" 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. Morrison Facilities Services confirmed on the 7th September 2012 to return the Major Adaptation service for Aire Valley Homes (AVhL) and West North West Homes (WNWhL). This service is currently undertaken as part of the Morrison Facilities Service repairs and maintenance contracts with the Council. The transfer is mutually agreed between the parties and there are no early termination penalties.
2. The Council has asked East North East homes Ltd (ENEhL) to undertake the adaptation service for both AVhL and WNWhL from 1st February 2013. ENEhL homes will undertake the work through its Construction Services division. The value of the service for both AVhL and WNWhL in 2011/12 was £3.75m per annum. The contract will be for 12 months until the commencement of the Category Management Plan for the Adaptations Service.

Recommendations

- . That the Director of Environments and Neighbourhoods approves the key decision to
 - i) Authorise and amend the contract between the Council and Morrison FS to remove the major adaptation workstream.

- ii) Award the Major Adaptation service for Aire Valley homes Ltd and West North West homes Ltd to East North East homes Limited from 1st February 2013 for 12 months through the use of a Service Delivery Agreement.

1.0 Purpose of this report

1.1 The purpose of this report is to seek approval to:

- Transfer the Major Adaptation contractor for Aire Valley homes Ltd (AVhL) and West North West homes Ltd (WNhL) from Morrison Facilities Services (Morrison FS) to East North East homes Ltd (ENEhL) with effect from 1 February 2013.
- Relinquish the Major Adaptation service provided by Morrison FS for both AVhL and WNWhL with effect of 1st February 2013.

2.0 Background information

2.1 As part of the Procurement 2011 project Morrison FS successfully won the tender from 1st April 2011 to provide the Major Adaptations service for AVhL and WNWhL along with the responsive repair, planned and refurbishment works.

2.2 Major Adaptations are works over the value to £1000. Examples of major adaptations are wet floor showers, specialist bathing equipment, stair lifts, ramps to properties and other specialist works such as through floor lifts.

2.3 Morrison FS has consistently failed to meet the performance standards of the Contract. The Council has required Morrison FS to undertake two Performance Improvement Plans. The first period ran from 1st April to 30th June 2012. MFS implemented a plan during this period and failed to achieve the Contract performance standards.

2.4 The Council issued a formal Performance Warning Notice on 16th August 2012 covering responsive repairs, managing empty properties and gas servicing and repair. Morrison FS has until 31st December to achieve the performance standards identified in the Performance Warning Notice. The Major Adaptation Service is not covered in the Performance Warning Notice.

2.5 The Council and Morrison FS has agreed that Morrison FS will return the Major Adaptations service. This decision was taken due to overall performance and to reduce the volume of work that MFS are responsible for thereby releasing capacity for MFS to focus on the responsive repairs and voids service. The transfer was confirmed in writing on the 7th September 2012.

2.6 The annual value in 2011/12 of major adaptation works in Aire Valley homes is £1.65m and for West North West homes is £2.1m, totaling £3.75m.

2.7 The volume of adaptations undertaken in each ALMO for 2011/12 is listed below.

<u>Table 2: Number of Major adaptation undertaken in each ALMO in 2011/12.</u>			
	ENEhL:	WNWhL	AVhL

Wet Floor Shower	342	399	299
Through floor lift	5	3	13
Stair lift	55	32	73
Ramp	51	69	40
OBS	71	80	40
Specialist Bath	1	3	2
Other	102	32	0
Total	627	618	467

3.0 Main issues

3.1 The Council has undertaken an options appraisal.

3.2 Option 1 – using of the In House Provider:

3.2.1 ENEhL through its Construction Service division currently manage the Major Adaptation Service for its locality. ENEhL also utilise Property Maintenance Services to undertake the installation of ramps and stair lifts. ENEhL has confirmed that it has the internal resources, subcontractors and IT infrastructure to mobilise an expansion in their service to accommodate WNWhL and AVhL requirements within a compressed time period.

3.2.2 The procurement costs for this option are Officer time from staff in Housing Services and the ALMOs and the resource allocation in PPPU for Category Management. This option would take 3 months to complete.

3.3 Option 2 – Use of an Existing Non LCC Framework

3.3.1 The Council can access one of the procurement frameworks such as Efficiency North or Fusion 21. The advantages of using such a framework are that through their membership they provide:

- reduced procurement timetable as the Pre Qualification Questionnaire process has already been undertaken,
- an economy of scale
- enhance collective buying power
- best practice and benchmarking opportunities.

3.3.2 The membership and fees for using Efficiency North would be circa £28,000 per annum to undertake the Major Adaptations in AVhL and WNWhL. In addition there would be Officer time involving both Council and ALMO staff to prepare, mobilise and manage the contract.

3.3.3 In using such a framework the procurement options could be a direct selection of a contractor or a mini competition. However, these procurement options would still take a minimum of 6 months including the mobilisation period of a new contractor.

3.4 Option 3 – The Council to set up its own framework contract or procure a new contractor to undertake the works

3.4.1 The advantages of this would be that the Council could meet its own specific objectives. However, the procurement timetable would be circa 9 months as a full procurement process would need to be undertaken, including an advert in the Official Journal of the European Union (OJEU) due to the size of the contract. In addition, the procurement costs including that of the staff resources to tender and mobilise the new contract would be circa £51k in addition to Officer time for Council and ALMO staff. These costs are greater than the costs in either option 1 or 2.

3.5 Option Appraisal Decision

3.5.1 As a result of the options appraisal and based upon 2011/12 performance the Council decided that ENEhL should provide the most effective solution taking into account cost, quality and ability to meet the programme. ALMOs were consulted through the monthly Departmental liaison with the ALMOs (DMT/COG) and there was a discussion at the Strategic Core Group in September 2012.

3.5.2 The ENEhL mobilisation of major adaptations has been overseen by a Steering Group involving representatives from Housing Services, supported by Corporate Procurement Unit and each of the 3 ALMOs. As part of the mobilisation considerable work has been undertaken to:

- Improve the consistency of service through the development of common specifications.
- Develop a Service Delivery Agreement (SDA) between AVhL / WNWhL homes and ENEhL. This SDA will be for 12 months pending the procurement exercise resulting from the development of the Category Management Plan.
- Develop a communication plan to inform customers in AVhL and WNWhL of the new service provider for Major Adaptations.
- Evaluate TUPE arrangements: ENEhL have been advised that 30 FTEs will TUPE from Morrison FS. As a result ENE are undertaking thorough due diligence prior to the acceptance of all the staff. Both Morrison FS and ENEhL have undertaken Trade Union consultation with the 3 Unions that represent staff.

3.5.3 ENEhL will undertake the majority of the major adaptation work in AVhL and WNWhL. For specialist works ENEhL will utilise sub contractors such as the Council's Property Maintenance Services for the installation of ramps and stair lifts, and Mears Group, Excel, Passmore Ltd, Able Bathing and Care and Repair.

3.5.4 ENEhL will provide 2 apprenticeships that will be created to support the delivery of this additional work.

4.0 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 Through the contract management of its contracts with Morrison FS, Housing Services has been in constant dialogue over the provision of their services in Leeds. Morrison FS has fully co-operated with Housing Services and all ALMOs on the transfer of the service.
- 4.1.2 Both Morrison and ENEhL have undertaken TUPE compliant consultation with the staff both directly and through the Trade Unions.
- 4.4.2 Prior to the transfer, Housing Services has developed a communications strategy to ensure that all customers in AVhL and WNWhL are aware of the transfer. This will include articles in both ALMO tenant newsletters and personally informing those customers with a Major Adaptation from 1 February with details of the new provider.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The recommendations of this report are the transfer of a service provider for the Major Adaptations workstream for 2 ALMOs. Through the transfer of the service, it is anticipated that the quality of the service will be improved, and thereby improve the quality of independent living for the affected disabled customers or carers of disabled people within AVhL and WNWhL.
- 4.2.2 An Equality Screening has been undertaken in appendix 1.

4.3 Council policies and City Priorities

- 4.3.1 The Council aims to be the best city for the health and wellbeing of its citizens. The provision of the adaptation service to council tenants is a key service to enable customers to live independently in their own homes. The key drivers for the transfer of the service to ENEhL are:
- That this options has the least risks associated with it,
 - Secures work for local sub contractors and the Councils' in house providers
 - Any additional costs arising from this option will be considered by the Council utilising funds from within the self financing Housing Revenue Account.
 - That the quality of the service will be improved, resulting in increased tenant satisfaction.

4.4 Resources and value for money

- 4.4.1 The Council, in partnership with WNWhL, AVhL and ENEhL has undertaken a cost comparison exercise. The anticipated cost of undertaking Major Adaptations works under the ENEhL cost framework to that currently charged by MFS was assessed and 80% of the anticipated workload was included.

The decision needs to be placed in the broader context of value for money across all of Morrison's contracts. The transfer and resulting release of resources for MFS has contributed to a significant improvement in Contractor performance on responsive repairs and voids during the Service Improvement Period. The current contract provides 4% year on year efficiency savings to the Council equating to

£1.4m per annum. Transfer of the service will enable the Contractor to focus on these elements of the contract and the Council to ensure that it can provide a high quality service to the tenants whilst retaining the efficiency savings to the Council.

The out turn cost over a full year for the service identified an increase of £556,905. This results in an additional £240k liability to AVhL and £316k liability to WNWhL. These costs are in part offset by a reduction in the overhead liability. The transfer of the Major Adaptations works to ENEhL will generate a saving on the MFS contract. The final figure is subject to confirmation once the TUPE list is confirmed, but initial assessment is a saving of £240,000 per annum

The impact of the increased cost is to be met by the HRA capital fund and allocations to that budget will be implemented.

Costs will be reviewed at months four and eight and any surplus generated by ENEhL will be returned to the HRA.

- 4.4.2 Morrison FS has prepared an assessment of the cost of the transfer at £119k. This largely consists of the novation of the van hire costs to ENEhL as well as MFS management and productivity costs involved in the transfer. In addition due to the TUPE arrangements there will be an extra £80k pension liability to the Council per annum. These costs will be mitigated due to the Council agreeing with Morrison FS a reduction in overheads due to the transfer of the service.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The report is a key decision. This report is on the Forward Plan and is subject to Call In. There are no grounds for treating the contents of this report as confidential within the Council's Access to Information Rules
- 4.5.2 Contract Procedure Rule 7 states that the Council's policy is that where there is an Internal Service Provider they should be given the option in the first instance to undertake the work. As a result, ENEhL have been offered and accepted to undertake the Major Adaptation service for AVhL and WNWhL.
- 4.5.3 Corporate Procurement Unit and Legal Services have been consulted on this process.

4.6 Risk Management

- 4.6.1 A risk register has been developed for the Steering Group, and has been reviewed on a weekly basis during the mobilisation period for ENEhL. All the identified risks have been mitigated.

5.0 Conclusions

- 5.1 The Council has chosen to recommend the transfer the Major Adaptation service for AVhL and WNWhL to ENEhL from 1 February 2013. This recommendation is based upon ENEhL having a track record of providing a high quality service; the options appraisal demonstrating that this option has the least risks associated with it, and that employment would be maintained within Leeds where possible. Morrison FS has agreed to this transfer. This transfer will enable Morrison to

concentrate on improving their performance in other services provided for the ALMOs, particularly responsive repairs, voids and gas works. The cost of the transfer to the Council would be £80k in additional pension liability and £15k non recoverable costs.

6.0 Recommendations

- 6.1 That the Director of Environments and Neighbourhoods approves the key decision to
- i. Authorise and amend the contract between the Council and Morrison FS to remove the major adaptation workstream.
 - ii. Award the Major Adaptation service for Aire Valley homes Ltd and West North West homes Ltd to East North East homes Limited from 1st February 2013 for 12 months through the use of a Service Delivery Agreement.

7.0 Background documents¹

- 7.1 Annex 1 EIA screening.

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.