



London Borough of Hammersmith & Fulham

Cabinet

21 MAY 2012

**CABINET MEMBER
FOR HOUSING**

*Councillor Andrew
Johnson*

**HOUSING REVENUE ACCOUNT – MEDIUM TERM
FINANCIAL STRATEGY TRANSFORMATION
PROGRAMME: HOUSING SERVICES MARKET
TESTING AND REPAIRS AND MAINTENANCE
RE-PROCUREMENT EXERCISE**

**Wards:
All**

As part of the Housing Revenue Account (HRA) Financial Strategy and 30 year business plan approved by Cabinet on 30 January 2012, a HRA MTFS Transformation Programme is currently underway to both improve the quality of services received and to improve efficiency by realising an ongoing annual saving of £4m per annum from 2014/15 onwards.

The two principal components of this programme are to:

**HAS THE REPORT
CONTENT BEEN
RISK ASSESSED?
YES**

1. Market test a number of housing management services and repairs and maintenance activities. Market testing, with the potential to outsource significant elements of the service to best in class service providers, is designed to drive greater value for money and improve service standards.

**HAS AN EIA BEEN
COMPLETED?
YES**

2. Re-procure the repairs and maintenance contracts in a manner that will both deliver greater value for money and improved service delivery.

This report outlines service improvement and cost reductions sought, together with associated procurement timelines.

CONTRIBUTORS

EDHRD
DAMPS
DHS
DFR
ADLDS
EDFCG

Recommendations

- 1. That approval be given to proceeding with the re-procurement of housing repairs and maintenance contracts and market testing as outlined in section 5 of this report.**
- 2. That approval be given to proceeding with the proposed market testing of a number of housing management services as set out in section 5 of this report.**
- 3. That the provisions of Contract Standing Orders (Section 3, para 9.2) be waived and authority be delegated to the Cabinet Member for Housing, in conjunction with the Executive Director for Housing and Regeneration, to progress the related procurement processes up to but not including Contract Award. Subsequent decisions relating to the entering into of contractual arrangements will be the subject of further reports back to Cabinet.**

1. SUMMARY

- 1.1 The HRA Budget, Financial Strategy and Rent Increase 2012/13 report was approved by Cabinet on 30 January 2012. The report noted that following £6 million savings in management costs between 2008 and 2010, a further HRA MTFS Transformation programme is underway to achieve ongoing revenue savings of £4m per annum from 2014/15 onwards. Delivery of the transformation savings programme is required to contain reliance on asset sales to fund ongoing repairs and maintenance activity, and to improve the financial position of the HRA overall, freeing up investment for innovation, regeneration and service improvement. This report provides further detail on the transformation programme and seeks authority to progress with a programme of market testing and outsourcing across both housing and property services and re-procurement of repairs and maintenance services.
- 1.2 In addition to achieving greater cost efficiency, there is also a need to improve the quality of services provided to tenants, leaseholders and residents. Notwithstanding some areas of strength, there is significant room for improvement, particularly in relation to repairs and maintenance and managing the customer interface.
- 1.3 At its meeting on 5 March 2012 Cabinet approved 'The Future of Resident Involvement and The Levy in LBHF'. This contained a proposal for a Residents Panel and a Repairs Working Group. These groups have been established and, together with other residents and stakeholders, will help the council to drive improved performance in these areas.
- 1.4 Services to be included in the market testing programme are:-
 - Housing Management
 - Estate Services
 - Repairs and planned maintenance
- 1.5 The housing service is currently responsible for the management of 17,500 properties with an existing use value of £900 million, producing income from rent and service charges of £71 million.
- 1.6 By 2014/15 we expect to see a leaner more challenging client team working in a mature partnership arrangement with our new contractor/service providers, supplying improved services which can be validated through independent surveys of customer satisfaction.

- 1.7 The table below shows key milestones for the re-procurement and market testing activities.

Milestone	Repairs & Maintenance	Housing Services
Issue Notice of Intention to Leaseholders & consult	02/03/12	Dec-11 to Apr-12
Issue Prior Information Notice to commence formal market consultation	27/03/12	Apr-12
Cabinet Report to Business Board	Apr-12	Apr-12
Host 'Meet the Buyer' event for potential contractors	Apr-12	Apr-12
Request key Cabinet decision to procure	May-12	May-12
Contract Notice & Pre-Qualification Questionnaires issued	Jun-12	Jun-12
Invitations to Tender issued	Oct-12	Sep-12
Preferred bidders identified	Feb-13	Nov-12
Prepare & Issue Notice of Proposal to Leaseholders & consult	Mar-13	Nov-12
Request key Cabinet decision to award	Apr to Jun-13	Nov-12 to Feb-13
Award contract	Jul-13	Feb-13
Mobilisation period	Jul to Oct-13	Feb to Mar-13
Go-live date	Oct-13	Apr-13

2. STRATEGIC CONTEXT

- 2.1 H&F has established a track record for delivering high quality, value for money public services. Despite some improvements in the provision of housing services in recent years there is a recognition based on benchmark performance data and consistent feedback from tenants and leaseholders that housing management services need to markedly improve and offer better value for money.
- 2.2 Following the re-integration of the ALMO, a Financial Strategy for the HRA has been agreed that includes a transformation programme to drive service improvement and deliver ongoing annual revenue savings of £4m per annum from 2014/15.
- 2.3 Repairs and maintenance along with estate services activities are significant drivers of customer satisfaction. Therefore the opportunity of a re-procurement exercise for repairs and maintenance and market testing for housing services will be used to drive greater scale economies and efficiencies whilst improving service outcomes through better KPIs and better performance management of contractual arrangements.

- 2.4 A suite of KPIs focused on customer satisfaction will be designed to both penalise or incentivise partners. Currently, if a job is done poorly the customer is left dissatisfied – in future the supplier will suffer a financial penalty. If the supplier gets the service right first time and the customer is satisfied they will be paid in full.
- 2.5 Through a gain share mechanism¹, innovation leading to continued service improvements/cost savings may result in incentive payments. The KPI suite will address contractual outputs in terms of quality of completed work within specified time scales, work being completed right first time, and customer satisfaction. Additional KPIs will deal with specific high-risk areas such as gas compliance.
- 2.6 We will get closer to our customers through our new Resident Involvement Strategy. We will also explore the potential for greater tenant involvement and taking of responsibility through the White City Neighbourhood Community Budget pilot. In addition through greater financial transparency we want local managers and/or service providers to have a greater awareness of income and expenditure and through the use of 'local P&L accounts' will encourage greater local accountability and stimulus for innovation.
- 2.7 The table below is a high level illustrative benchmark against our local authority partners which indicates that there is potential to further improve cost efficiency.

Authority	Total no. of properties	2010/11 HRA expenditure ²	Expenditure per property
H&F	17,500	£85m ³	£4,857
Kensington & Chelsea	9,500	£85m ⁴	£8,947
City of Westminster	21,700	£116m ⁵	£5,446
Wandsworth	33,300	£115m ⁶	£3,453

¹ "gain share mechanism" means supplier and H&F may share cost savings

² HRA expenditure excludes capital expenditure, but includes HRA share of interest payable

³ Data source – Revenue estimates and capital programme 2011/12; Pg 106

⁴ Data source – Statement of accounts 2010/11; Pg 111

⁵ Data source – Final account 2010/11; Pg 4 & pg 77

⁶ Data source – Statement of accounts 2010/11; Pg 98-99

2.8 Resident satisfaction indicators across the same group are mixed as can be seen by the following indicative benchmarking table. The figures suggest that as well as improving cost efficiency there are also opportunities to improve service levels.

Measure 2010/11 (unless otherwise stated)	H&F	K&C⁷	City of West.⁸	Wandsworth⁹
Major works & cyclical maintenance Resident satisfaction with overall quality of their home	71%*	NA	79%	65%
Responsive repairs & void works Residents satisfied with repairs & maintenance	70%	66%	75%	65%
Housing Management Tenants satisfied with overall services provided	73%	79%	79%	70%
Estate Services Residents satisfied with their neighbourhood as a place to live	80%	85%	80%	79%

* 2009/10 figure

⁷ Data source – Figures supplied by K&C from "TMO in Touch"

⁸ Data source – Figures supplied by CityWest Homes

⁹ Data source – Housing Link Panel Recruitment & Housing Management Survey 2011 by bmg research for Wandsworth Council June 2011 (tenants only figs. used)

2.9 Through more detailed benchmarking, as indicated in the HouseMark¹⁰ table below, the existing performance is inconsistent across the service and judged against other boroughs is rated to be expensive.

Efficiency Summary for LB of Hammersmith & Fulham (Source: HouseMark Benchmarking results)				
Business Activity	Cost KPI	Cost KPI Ranking	Quality KPI	Quality KPI Ranking
Overheads	Overhead costs as % adjusted turnover	23 /30	Overhead costs as % direct revenue costs	19 /31
Major Works & Cyclical Maintenance	Total Cost Per Property (CPP) of Major Works & Cyclical Maintenance	27 /31	Percentage of tenants satisfied with overall quality of home (General Needs (GN) & Housing for Older People (HfOP))	7 /16 (2009-10) *
			Percentage of dwellings failing to meet the Decent Homes Standard	14 /30
Responsive Repairs & Void Works	Total CPP of Responsive Repairs & Void Works	26 /31	Percentage of tenants satisfied with the repairs and maintenance service (GN & HfOP)	17 /24
			Percentage of all repairs completed on time	23 /29
			Average time in days to re-let empty properties	6 /16 (2009/10)*
Housing Management	Total CPP of Housing Management	21 /31	Percentage of tenants satisfied with overall services provided (GN & HfOP)	17 /25
			Percentage of tenants satisfied that views are being taken into account (GN & HfOP)	3 /16 (2009-10) *
			Current tenant arrears net of unpaid Housing Benefit as % of rent due	21 /29
Estate Services	Total CPP of Estate Services	16 /31	Percentage of tenants satisfied with their neighbourhood as a place to live (GN & HfOP)	6 /31

* 2010/11 figures not available.

¹⁰ HouseMark is a nationally recognised benchmarking organisation that H&F subscribes to. Results are anonymised. See Appendix A for full details. Dataset 2010/11.

2.10 Following successful implementation of the transformation programme we expect to see:

- significant improvement in all of the Cost KPI's together with marked improvements in the Quality KPI's benchmark figures;
- a “leaner” department that is more effective at delivering good effective performance and contract management;
- several large partnering contracts in place that are aligned to deliver service improvement and increased value for money with appropriate risk/reward mechanisms in place;
- a fully integrated department that has access to good quality data with which to shape strategies for asset management and meeting the housing needs of residents;
- a flexibility within the service to continuously evolve to meet the needs of the Residents' Involvement Strategy; and
- to drive continuous improvement and seek opportunities to promote ongoing integration with other teams within the wider Council.

3. MEDIUM TERM FINANCIAL STRATEGY SAVINGS TARGET

3.1 In 2011 HRD commissioned a high level review of key service areas which identified that there is the potential to maintain and/or increase the level of service to residents whilst at the same time realising savings of approximately £5 million (before costs) over the period 2011/12 – 2014/15, with a full year effect savings of approximately £4 million from 2014/15 onwards.

3.2 This level of savings is required by HRD to meet its challenging MTFs. In order to achieve this level of saving, new approaches are required in the way in which services are delivered to ensure that both service improvement and the savings targets are achieved.

3.3 The saving's targets are:

Service	Full year effect savings from 2014/15
Estate Services	£670,000
Housing Management	£771,000
Property Services	£2,461,000
Total savings	£3,902,000

4. SCOPE OF PROJECT

4.1 This paper provides details of the approach currently being taken to procure and/or market test services, via two separate projects; one focusing on repairs and maintenance, managed by Property Services and the other on housing management and estate services, managed by Housing Services.

4.2 This twin project approach is being taken as there are strategic procurement differences between the contract packages in Property Services and the potential first time procurement of services in Housing Services following the market testing exercise. These procurement differences also drive different timelines for the projects.

4.3 Property Services

4.4 In the context of the HRA the Asset Management and Property Services Division is responsible for:

- Effective asset management planning for an estate of circa 17,500 homes and ancillary properties with existing use value of circa £900 million and an unrestricted open market value of circa £3 billion;
- Maintaining the Council's housing stock to an acceptable standard by providing sustainable, warm, safe, modern and secure properties;
- Ensuring that statutory inspections and maintenance obligations and activities are carried out on a range of items including; gas installations, lifts, water tanks and some electrical installations;
- Undertaking Fire Risk Assessments and carrying out any necessary maintenance, remedial or improvement works; and
- Refurbishment of void properties.

4.5 The current service delivers circa 50,000 responsive repairs each year including 7,500 repairs to communal areas to approximately 17,500 homes. The statutory obligation to annually check and service gas installations is completed to 11,000 of the tenanted homes.

4.6 The total expenditure on responsive and planned preventative maintenance is approximately £49 million per annum – this expenditure is currently spread over 27 separate contracts.

4.7 Repairs and maintenance activity is a significant driver of resident satisfaction but all too often feedback from residents and members is that service is poor, although the current performance measurements don't always reflect this.

4.8 Section 5 of this report outlines the proposal to re-procure the existing services in such a way as to transform the residents' experience of the repair service. The table below summarises the current service and our vision of the future.

4.9 **What's in it for Residents?**

4.10 **Current experience**

- If a job is done poorly the customer is dissatisfied and complains to the department and to members.
- Poor diagnosis of the fault at first call stage.
- Inconsistent interpretation of the repairs policy.
- Numerous chase up calls are needed to ensure that the repair gets done.
- Missed appointments.
- Hand-offs between different contractors.
- Failure to get repairs done right first time.
- Contractors getting paid before residents have signed off repairs as complete.
- Potential for payments to be made ahead of full customer satisfaction

4.11 **Future experience**

- Contractor incentivised to get the job done right first time - if a job is done poorly the supplier suffers financial penalty.
- No payment until jobs are completed.
- Call centre run and managed by the "repair experts" - the contractor.
- Contractor uses their own system to log and diagnose the repair.
- Contractor arranges appointments at first call stage using "real-time" scheduling software.

- Use of latest technology to log repairs including "apps." for mobile phones.
- Resident satisfaction recorded by a third party organisation.
- Fewer contractors leading to less hand-offs between suppliers.

4.12 As well as resident dissatisfaction, the cost for the responsive repairs service is very high compared with other local housing authorities and housing associations.

4.13 The following chart shows the total costs per property of responsive repairs and voids re-servicing compared with H&F's HouseMark benchmarking group. It includes both the 'client side' management and administration functions and the 'contractor side' direct:

Cost KPIs¹¹	Upper	Median	Lower	LBHF Result	Ranking
Total Cost Per Property of Responsive Repairs Service Provision	£372	£484	£537	£559	27 /30
Total Cost Per Property of Responsive Repairs Management	£157	£187	£273	£267	22 /30
Total Cost Per Property of Void Works Service Provision	£87	£123	£157	£133	18 /30
Total Cost Per Property of Void Works Management	£26	£38	£51	£54	25 /30

4.14 Although some cost savings have been achieved over the last few years the total cost remains comparatively high and shown below are some of the reasons for this:

- The current pricing mechanisms do little to incentivise the contractors to get things right first time;
- Poor diagnosis of the fault at first call leads to wasted visits and extra costs; and
- There is insufficient client side focus on the commercial and financial management of the contracts to ensure that the best possible costs are achieved.

¹¹ HouseMark is a nationally recognised benchmarking organisation that H&F subscribes to. Results are anonymised. See Appendix A for full details. Dataset 2010/11.

- 4.15 Two separate reviews, undertaken in 2010/11 by Cyril Sweett and Northgate Public Services (NPS) each identified that in order to achieve further savings and maintain, and in some areas improve service, the optimal solution would be to reduce the existing number of contracts and engage a single service provider, borough wide, to undertake the majority of responsive repairs and maintenance works and potentially certain elements of planned maintenance work.
- 4.16 It is acknowledged that this is a significant divergence from the previous approach, even though it is supported by case study evidence to the effect that it can be an effective model of operation. Therefore, it has been considered prudent to test the market by including a separate tender option for a single contractor in each geographical area (north and south) of the borough. The procurement proposal, attached in Appendix A, identifies the various options that were considered and highlights the advantages and disadvantages of each and the principal risks considered to arrive at the proposed solution.
- 4.17 All of the 4 main contracts for repairs, voids and gas (approximately £15 million p.a.) have various extension clauses which have already been invoked and will expire by March 2014. This therefore provides a potential window of opportunity to re-package and re-procure various services through one or two larger contracts, which will deliver greater economy of scale savings.

4.18 **Housing Services**

- 4.19 Housing Services are responsible for:
- Maintaining estates in a clean, safe and tidy condition contributing to the health, wellbeing and quality of life for all Council residents;
 - Undertaking 'Landlord' activities to ensure tenancies are well managed, that income is collected, that statutory obligations are discharged, and that a meaningful point of contact for residents is maintained;
 - Contributing to the creation of safer neighbourhoods through acting to combat/eradicate low level anti social behaviour on estates; and
 - Improving levels of Resident Involvement.

4.20 The high level review conducted in 2011 recommended market testing a number of services currently delivered 'in-house' by Housing Management and Estate Services. The scope has been refined and now includes market testing the following areas of the service:

- Caretaking/General estate cleaning;
- Specialist cleaning services;
- Sheltered Housing cleaning;
- Tenancy Services; and
- Reception Services.

4.21 A number of services have been excluded from market testing at this time, as it is felt there are still internal efficiency opportunities that can be made prior to market testing. Alternative proposals have been formulated, which will retain these services within the council. These proposals offer benefits in terms of early cost savings (already included in the projected HRA MTFs) and service improvements. The services not being market tested at this time are detailed below:

- Concierge – an in-house proposal is being implemented which is designed to improve the efficiency of the service and widen its scope to cover a greater number of residents – savings will start to be realised in 2012/13, with full year effect savings of £307,000, projected in 2013/14;
- Income Management and Rents Accounting – are being merged with H&F Direct, part of Finance and Corporate Services, with the aim of providing a more customer focused and streamlined income and revenue team to fit in with the council wide debt management strategy - savings will start to be realised in 2012/13 with full year effect savings of £271,000 projected in 2013/14; and
- Sheltered Housing – this area is subject to a separate asset review in conjunction with colleagues within Adult Social Care considering the future requirements for sheltered accommodation and extra care units across the borough.

- 4.22 Internal restructuring reviews of all services are being carried out in parallel with external market testing. These reviews will inform the writing of specifications for preparation of formal tender documentation.
- 4.23 In-house restructuring and transformation proposals for services included in the market testing scope will be competitively evaluated against tenders received from external service providers.
- 4.24 The Estate Services staff considered but ultimately decided against submitting a formal in-house bid as a 'mutual' organisation. They have decided to work on an alternative restructure and reorganisation that will form the basis of an internal review proposal, the cost of which will be considered along with all bids received from external contractors as part of the procurement exercise. H&F has offered support for this approach and to make independent consultancy support available to the Estate Services review team to progress this. The review team comprises of the Estate Services management team, volunteer caretakers, and staff side representatives.
- 4.25 The following table shows comparative costs across the HouseMark benchmarking group. Again the results are indicative of current inconsistent performance.

Cost KPIs¹²	Upper Quartile	Median	Lower Quartile	H&F Result	Ranking
Total Cost Per Property of Housing Management	£355.43	£428.01	£509.89	£495.83	21 /31
Total Cost Per Property of Estate Services	£268.44	£338.75	£453.91	£342.83	16 /31
Direct Cost per Property of Housing Management	£234.32	£292.93	£358.97	£349	22 /30
Direct Cost per Property of Rent Arrears & Collection	£76.67	£85.49	£106.43	£142.94	28 /30
Direct Cost per Property of Anti-Social Behaviour	£29.57	£44.74	£59.46	£102.94	29 /30
Direct Cost per Property of Tenancy Management	£56.91	£80.64	£114.54	£63.05	11 /30
Direct Cost per Property of Lettings Management	£14.12	£26.61	£34.17	£25.86	14 /30

¹² HouseMark is a nationally recognised benchmarking organisation that H&F subscribes to. Results are anonymised. See Appendix A for full details. Dataset 2010/11.

4.26 H&F collect a number of key performance indicators for housing services which are shown in the table below.

Quality KPIs ¹³	Upper Quartile	Median	Lower Quartile	H&F Result	Ranking
% of tenants satisfied with overall services provided (GN & HfOP ¹⁴)	78.21	74.50	71.00	73.00	17 /25
Current rent arrears net of unpaid Housing Benefit as % of rent due	2.1	2.9	3.9	3.4	21 /29
% of tenants satisfied with their neighbourhood as a place to live (GN & HfOP)	78.62	74.65	71.60	80.00	6 /31
Direct number of housing management employees per 1,000 properties	5.08	6.20	8.18	7.57	22 /31

5. PROPOSED PROGRAMME

5.1 The service delivery of the contracts will be managed by a series of risk and reward measures. The KPIs which feed these measures will be determined during the preparation of the full specifications, based on best practice and in consultation with all stakeholders, including the new Local Residents' Panel and the Residents' Repairs Working Group, however at this stage, it can be confirmed that the KPIs will drive improvements in customer service and satisfaction through headline KPIs see Appendices for further details.

5.2 Property Services

5.3 The Repairs & Maintenance Re-Procurement Proposal is attached as Appendix B. The proposal shows all of the options that were considered and recommends a procurement route that is summarised below.

5.4 The recommended proposal is to;

- Package together all responsive repairs, gas, voids and as much of the planned maintenance work as possible into either a sole or dual supply contract(s) in such a way as to; maximise value for money, improve the efficiency and benefits of the service to residents and develop and improve the resilience of the overall service.

¹³ HouseMark is a nationally recognised benchmarking organisation that H&F subscribes to. Results are anonymised. See Appendix A for full details. Dataset 2010/11.

¹⁴ General Needs and Homes for Older People

- Market test a range of in-house services and include in the re-tendering if this offers better value for money. Services currently under review include:
 - Repairs call centre;
 - Gas teams (including communal gas);
 - Voids; and
 - Inspection services.
- Retender using either a single borough wide contractor or 2 contractors split north and south of the borough for all the above work and services
- Enter into a long term partnership - a minimum of 10 years with a possible 5 year extension, which will include regular service and delivery reviews.

5.5 At this stage the size of the potential single or dual supply contract(s) is not known, as further market testing and investigation is required, to establish the optimum mix of works and services to include. It is likely that the annual contract value will be between £15m-£25m p.a. which would give a contract value, over 10 years, of approximately £150m - £250m.

5.6 The indicative timelines below highlight key milestones across both the repairs and maintenance re-procurement and housing services market testing:-

Repairs & Maintenance re-procurement	
Issue Notice of Intention to Leaseholders & consult	02/03/12
Issue Prior Information Notice to commence formal market consultation	27/03/12
Cabinet Report to DMT	Mar-12
Cabinet Report to Business Board	Apr-12
Host 'Meet the Buyer' event for potential contractors	Apr-12
Request key Cabinet decision to procure	May-12
Contract Notice & Pre-Qualification Questionnaires issued	Jun-12
Pre-Qualification Questionnaires returned	Jul-12
Pre-Qualification Questionnaires evaluation and short-listing	Aug-12
Invitations to Tender issued	Oct-12
Invitations to Tender returned	Dec-12

Invitations to Tender evaluation	Dec-12
Preferred bidders identified	Feb-13
Prepare & Issue Notice of Proposal to Leaseholders & consult	Mar-13
Request key Cabinet decision to award	Apr to Jun-13
Award contract	Jul-13
Mobilisation period	Jul to Oct-13
Go-live date	Oct-13

- 5.7 This proposal, therefore, also seeks approval for delegated powers to be passed to the Lead Cabinet Member for Housing in conjunction with the Executive Director for HRD (acting on the advice of the Tender Appraisal Panel), to take and/or approve all decisions throughout the re-procurement exercise and market testing up to but not including Contract Award.
- 5.8 Alongside the re-procurement of repairs and maintenance contracts, a re-organisation of the property services function within HRD will take place. This will include the integration of the Building Property Management (BPM) team that work exclusively on HRA residential property and are due to transfer from the Environment Services Division in May 2012. The re-organisation will ensure that the new structure reflects the change in emphasis from day to day management to more planning, monitoring and contract management of fewer, but larger, contracts, whilst at the same time fulfilling all statutory obligations.
- 5.9 The re-procurement and re-organisation is expected to deliver the following benefits:
- Full year effect savings of £2.4m;
 - Improvement in service and quality of delivery, with a consequent rise in customer satisfaction and improved performance against a range of KPI's, including the HouseMark benchmark figures;
 - Clearer focus for the in-house teams on monitoring statutory compliance, developing a long term asset management strategy that includes planning effective maintenance work to reduce the level of responsive repairs;
 - Increased efficiency of operations through;
 - Reduced interface between different parties, (fewer 'hand-offs');
 - Improved technology, particularly mobile working, to improve response times, and customer service;

- Focused performance indicators based on best practice;
- Greater assurance of quality of work; and
- Improved speed and clarity of invoicing.

5.10 It is worth noting that the £2.4m savings figure is to be achieved through a combination of:

- Contractual savings based on a contract value of approximately £15m p.a. for core services i.e. Repairs, Gas & Voids, to be achieved through;
 - Savings on overheads;
 - Increased work density;
 - Increased buying powers;
 - More efficient work processes;
 - Improved repair diagnosis leading to more right first time repairs; and
 - A long term contract giving the opportunity to invest in better technologies and more long term savings initiatives.
- In addition we believe there are opportunities to realise savings through outsourcing some in-house services realising 25% - 30% efficiencies.
- Reorganising and realigning the Property Services department to reflect the change of focus from operational management to more monitoring, contract management and strategic planning.

5.11 In addition, the new contractual arrangements will seek to include alignment with the existing and new regulatory requirements, emerging in the form of the Localism Bill. This will include options to consider proposals to give residents more control over repair budgets such as the Government's 'tenant cash back scheme'.

5.12 By entering into a long term, partnering agreement the winning contractor(s) will have the flexibility to be able to contribute and actively participate in the Residents' Involvement Strategy, including engagement with the Repairs Working Group.

5.13 Housing Services

The Housing Services Market Testing Proposal is attached as Appendix C. The proposal shows the options that were considered and the proposals are summarised below.

5.14 It is proposed to market test aspects of services provided within Housing Services, comparing an in-house service with a potential long-term partnering contract (up to ten years in length). The final contract length will be agreed with H&F Procurement and Legal support, after benchmarking similar contracts and gaining feedback from potential service providers and other Social Housing providers who have adopted contracted-out service models.

5.15 It is intended that aspects of the service will be offered in three lots, details of the lots and the estimated 10 year contract value is shown below:

Lot	Description	Estimated 10 year value £ Million
1	Estate Services (cleaning & caretaking) Borough wide	25 – 35
2	Housing Management south half of Borough ¹⁵	20 - 40
3	Lots 1 & 2 combined	45 - 75

5.16 Included in the proposal for Housing Management there is provision to test an in-house service in the north of the borough against an externally provided service in the south. The rationale for market testing Housing Services in the south and retaining the north in house resulted from a detailed options appraisal which proposed that:

- **The north** will have an internal review and remain within the council for the time being, providing the necessary flexibility as options for a Housing Mutual as part of the White City Neighbourhood Community Budget are explored.
- **The south** will be fully market tested with the potential of appointing an external contractor to provide the service.

¹⁵ The rationale for offering Housing Management on a half Borough basis with the north half being retained in-house is detailed below.

- The reasons for dividing the service and market testing the south are;
 - The split will create competitive tension, encouraging services to improve
 - The split will allow us to compare in-house versus external provider
 - The size of the housing stock in the south is more likely to stay about the same over the next 10 years making it possible to market test more accurately.

5.17 The potential contract value is over the financial threshold for Services set out in the Public Contracts Regulations 2006 (as amended). Given the absence of any appropriate Framework Agreement, it is therefore necessary to undertake a full Official Journal European Union (OJEU) procurement exercise, using a traditional model contract.

5.18 It is proposed to go out with Pre-Qualification Questionnaire (PQQ) and contract notices in early July 2012, and to issue Invitations to Tender between September and October 2012, subject to approval of this Cabinet Paper.

5.19 It is planned to submit recommendations for preferred bidders to Cabinet for Approval and Contract award between December 2012 and February 2013.

Housing Services market testing	
Issue Notice of Intention to Leaseholders & consult	Mar to Apr-12
Issue Prior Information Notice to commence formal market consultation	Mar to Apr-12
Cabinet Report to DMT	Mar-12
Cabinet Report to Business Board	Apr-12
Host 'Meet the Buyer' event for potential contractors	Apr-12
Request key Cabinet decision to procure	May-12
Contract Notice & Pre-Qualification Questionnaires issued	Jun-12
Pre-Qualification Questionnaires returned	Jul-12
Pre-Qualification Questionnaires evaluation and short-listing	Sep-12
Invitations to Tender issued	Sep-12
Invitations to Tender returned	Oct-12

Invitations to Tender and In-house Solution evaluation	Nov-12
Preferred bidders identified	Nov-12
Prepare & Issue Notice of Proposal to Leaseholders & consult	Nov-12
Request Cabinet key decision to award	Nov-12 to Feb-13
Award contract	Feb-13
Mobilisation period	Feb to Mar-13
Go-live date	Apr-13

5.20 This proposal, therefore, also seeks approval for delegated powers to be passed to the Lead Cabinet Member for Housing in conjunction with the Executive Director for HRD (acting on the advice of the Tender Appraisal Panel), to take and/or approve all decisions throughout the market testing up to but not including Contract Award if applicable.

6. RESIDENT CONSULTATION

- 6.1 Our Resident Involvement approach starts from an acknowledgement that if we are to achieve successful neighbourhoods and communities particularly in the more deprived areas of the borough we need to be more responsive to the changing expectations and demands of all tenants and leaseholders. Only in this way do we believe we will meet their aspirations and increase levels of satisfaction across the borough.
- 6.2 The Programme Board are committed to close resident involvement in taking forward the HRA MTFs Transformation Programme. To this end the project teams responsible for the Housing Services & Property Services transformation have developed plans for close liaison with residents.
- 6.3 A Local Residents' Panel and the Residents' Repairs Working Group has recently been established and consultation meetings have already taken place, where outline plans have been shared, including the planned proposed approach to re-procurement and market testing. It is the intention that a number of volunteers, from the Resident Involvement Panel and the Repairs Working Group who have the relevant experience and knowledge, will be trained and asked to participate in the evaluation of tenders and in the future service reviews of the successful bidder(s).

- 6.4 The current repairs service delivers the minimum base line service required by statute law and the legal implications of the Tenancy Agreements and Leases. In this regard, it is not proposed to reduce the levels of service provided to residents, therefore a separate Section 105 consultation is not required.
- 6.5 A Notice of Intent (NOI) for Estate Services was sent out on 16th December 2011 and for Property Services on 2nd March 2012, giving Leaseholders a broad outline of the proposed plans. An NOI will be issued covering Housing Services in early April 2012. This was done in order that formal contact could be made with the market-place, to question and test the market. Failure to issue the NOI, ahead of contacting the market, could have led to potential legal challenges by leaseholders. Issuing the NOI also gives the opportunity to engage with leaseholders and take into account feedback ahead of any tender specification being finalised. Issuing the NOI does not, in itself, bind the Council to any decisions, but is a requirement of the Commonhold and Leasehold Reform Act 2002.

7. STAFF ENGAGEMENT

- 7.1 The MTFS Transformation Programme began in earnest in November 2011. At this time the Executive Director briefed all HRA funded staff outlining the key objectives, scope of the programme and commitments to staff engagement, throughout the period of change. Following this initial briefing key messages are being reinforced through regular up-date briefings from the Executive Director and Directors, team briefings from Heads of Service and monthly staff newsletters.
- 7.2 Throughout each of the projects various workshops have been held with staff, to provide input, help shape the services going forward and to fully understand what currently works well and what doesn't. In addition to these workshops a number of work streams have been formed encouraging staff to volunteer, get involved, share their expertise, provide feedback and challenge proposals. A dedicated Frequently Asked Questions, "Ask Mel", intranet link has been created to provide staff with the opportunity to pose questions directly to the Executive Director. In addition, suggestion boxes have been placed in all offices to encourage staff to put forward suggestions and raise any queries, anonymously.

- 7.3 These measures have been designed to engage and involve staff to ensure as smooth a transition as possible, whilst maintaining the current service. As the Transformation Programme progresses and detailed proposals are formulated, normal consultation processes with trade unions will be followed.

8. RISK MANAGEMENT

- 8.1 A Programme Board has been established to oversee the full HRD MTFS Transformation Programme. The Board is chaired by the Executive Director of HRD, supported by Directors, Northgate's Service Director and senior Project Managers and representatives from Procurement, Legal, Organisation Development & Transformation and Human Resources.
- 8.2 Project Teams have been established for Property Services and Housing Services, each headed by the appropriate Director, supported by all Service Heads and Northgate Project Managers. The Programme Board has delegated authority to the project teams to manage the day to day delivery of the individual project streams, with the project team reporting, monthly, to the Programme Board.
- 8.3 The principal risks of pursuing the proposed strategy have been considered (and where necessary are being monitored) as a part of developing the strategy. These risks, along with mitigating actions, are identified in Appendices B and C.
- 8.4 Project control documentation has been developed and implemented and is reviewed regularly by both the project teams and Programme Board. This includes the review of project level and programme level risk registers.

9. EQUALITY IMPLICATIONS

- 9.1 Initial EIA assessments have been prepared in consultation with the Equalities Manager (available upon request). The proposal to review the procurement strategy does not involve any changes to service delivery or operational policies.

10. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE

- 10.1 Given the significant savings (at least £3.1m in 2013/14 and an ongoing annual saving of £4m per annum from 2014/15 onwards) expected to be achieved for the Housing Revenue Account from the transformational programme and the complexity associated with delivering these savings, finance officers have been assigned as key members of all transformation project groups.
- 10.2 Following a change in approach to the repairs re-procurement programme and the housing management services market testing, there is a risk of a delay in the delivery of the transformational savings targets in 2013/14. To mitigate, other actions are being taken to bring forward savings initiatives where appropriate.
- 10.3 Although the savings targets set out in the business plan include a provision for project costs and other support, there is also a risk that unidentified costs may arise during the process of formulating and implementing the delivery model. In this event, further savings and other initiatives to offset any adverse impact on the business plan will be identified.
- 10.4 Progress will be reported upon through the Council's budget monitoring regime, and a further report setting out detailed financial implications will be presented to Cabinet prior to award of contracts.

11. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)

- 11.1 Legal Services will work with the client department to ensure that the procurement of the services outlined in this report is in accordance with the Public Contracts Regulations 2006 (as amended) and the Council's contract standing orders.

12. COMMENTS OF THE ASSISTANT DIRECTOR PROCUREMENT AND IT STRATEGY

- 12.1 The AD for Procurement and IT Strategy will be represented on the Tender Appraisal Panel and will provide advice and guidance throughout the procurement process.
- 12.2 The AD agrees and supports the recommendations contained in this report.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Cyril Sweett Procurement Report	I Watts Ext 1848	HRD
2.	Northgate Housing Services Strategy 2014 Proposal	K Corbett 3031	HRD
3.	HouseMark Annual Benchmarking Summary Report 2010-11	K Corbett 3031	HRD
4.	HouseMark Annual Benchmarking Summary Report 2009-2010	K Corbett 3031	HRD
5.	Resident Involvement Strategy	K Corbett 3031	HRD
6.	Latham 'Constructing the Team' Report	I Watts Ext 1848	HRD
7.	Egan 'Rethinking Construction' Report	I Watts Ext 1848	HRD
CONTACT OFFICER:		NAME: Ian Watts EXT: 1848	

Appendix A

HouseMark Benchmarking

HouseMark is jointly owned by the Chartered Institute of Housing and the National Housing Federation and provides benchmarking, good practice and information services to around 600 social landlords, throughout the UK. They allow members to benchmark their performance against a bespoke peer group, subject to availability of data.

Currently H&F's performance is benchmarked against the following organisations:

1. Ascham Homes
2. Barnet Homes
3. Brent Housing Partnership
4. CBHA
5. City of London
6. CityWest Homes
7. Enfield Homes
8. Gallions Housing Association
9. Hackney Homes
10. Homes for Haringey
11. Homes for Islington
12. Homes in Havering
13. Hounslow Homes
14. Hyde Northside Homes
15. Hyde Southbank Homes
16. Kensington & Chelsea TMO
17. LB of Barking & Dagenham
18. LB of Croydon
19. LB of Ealing
20. LB of Harrow
21. LB of Newham
22. LB of Southwark
23. Lewisham Homes
24. Merton Priory Homes
25. Old Ford Housing Association
26. Phoenix Community Housing
27. Poplar HARCA
28. Redbridge Homes
29. Sutton Housing Partnership
30. Tower Hamlets Community Housing