

Item No.	Classification: Open	Date: 15 October 2012	Meeting Name: Overview and Scrutiny Committee
Report title:		Repairs and Maintenance in the South of the Borough	
Lead Officer		Head of Maintenance and Compliance	

Recommendation

That Overview and Scrutiny Committee note the contents of this report.

Background Information

1. Repairs and maintenance in the south of the borough was until 2nd October 2012 provided by Morrison Facilities Services Limited (MFSL). The council having served six months notice of its intention to terminate the contract on 2 April 2012.
2. Shortly after the notice was served , the Deputy Leader and Cabinet Member for Housing Management approved the procurement strategy to put in place an interim 12 month contract from 3 October 2012 until 2 October 2013. The approved strategy was to use the Watford Community Housing Trust repairs and maintenance framework. Following a tender process the interim 12 month contract was awarded to Mears at the end of July 2012.
3. Putting in place the 12 month interim contract has provided the council with the space and time it required to work through the options available for the long-term delivery of the repairs service.

Mobilisation and Demobilisation

4. To ensure the smooth transition between MFSL and Mears a project management structure was put in place. An overall project board was established chaired by the head of maintenance and compliance and representatives from both contractors, IT, finance and council operational staff attended meetings. Work streams were also established to deal with handover issues including branding, systems, communication, inspections, risk management, repairs process end to end and payment. The overriding objective of the governance arrangements was to ensure repairs service delivery transferred from MFSL to Mears with minimal disruption.. This had to be achieved over a period of eight weeks from start to finish.
5. Overall the transfer of the service went well. The process of demobilising the MFSL contract involved the gradual removal of work away from them. In the 12 months prior to the contract ending 2,858 default notices were served on MFSL and the work passed to back up contractors. Of these, 1,412 were served in

the period from July to 2nd October, nearly 50%. A large proportion of this work was passed to Southwark Building Services (SBS).

6. A phased programme for transferring new work was also in place. RM 4s, those with a 20 working day priority, were passed to Mears from 10th September. More urgent jobs were passed to SBS from 24th September until the contract with Mears commenced on 3rd October 2012. As a result of these actions no work was outstanding with MFSL at contract end.

Mears Contract

7. The Mears contract went live on 3rd October 2012. Their offices are based at the Travis Perkins site on Frensham Street. The IT is working and they have recruited 14 new operatives mainly from the local area as their model is direct employment rather than sub-contracting. Sub-contractors will only be used where it essential to do so. Mears have committed to post inspecting every single repair carried out by their sub-contractors. While most MFSL staff have TUPE transferred to Mears new Mears senior managers are in place to drive the service forward and lead the required cultural change.
8. Mears will be attending all Area forums in the south of the borough, Tenants and Home Owners Councils and Tenants and Residents association meetings where requested. They have produced a Mears Commitment leaflet that sets out their 20 promises (set out in the table below) for the interim contract and these will be distributed to residents.

1. Engage with residents from the outset to regain their trust	11. Set up a fully integrated management system and mobile working solution
2. Work shoulder to shoulder with Southwark's housing team and contact centre staff.	12. Build a robust interface between your management systems and our own
3. Reduce demand on the contact centre from failed appointments	13. Reinvigorate the transferring Morrison team and inject Mears service culture
4. Offer technical support and back up for the contact centre	14. Rebalance the work with less reliance on sub-contractors
5. Put in place a structured Service Improvement Plan	15. Direct employment of all repair operatives recruited from the local area
6. Sign up to a set of challenging performance indicators	16. Foster good working relationships with local companies for specialist and void works
7. Offer more convenient and fully resourced appointment slots	17. Retain our mobilisation team throughout the contract term
8. Provide external independent validation of performance data	18. A commitment to deploy whatever resources it takes to get the job done
9. Establish an operational base in the borough	19. Customer Satisfaction greatly improved and exceeding target levels
10. Co-locate our management team with your senior staff	20. Consistent performance reaching upper quartile levels by year end

9. So far promises 9, 10, 11, 12, 14, 15 have already been delivered. This is a good start and is very encouraging.

Long-Term Contract

10. Procurement of the long-term contract commenced at the end of July 2012. A total of 53 organisations expressed an interest in delivering the service following an OJEU advertisement. Six organisations have been shortlisted and they will be formally invited to tender in mid-October. The contract is expected to be awarded in May 2013, which will allow five months for mobilisation should the contract not be awarded to Mears.
11. Two services, namely the out of hours service and works to empty properties, might be suitable to be provided in-house. A decision will be made on this in the subsequent contract award report in May 2013 and will be subject to cost, quality and capacity to deliver in-house when compared to external delivery.

Lessons Learned

12. Members should note that a review of the MFSL repairs and maintenance contract was undertaken before the long-term procurement exercise began. Arising from this there were five key lessons to learn and these have been addressed in the long term contract (note the comments in bold below).
 - i. The contract was procured with a separate and additional lump sum element for direct and indirect overheads, profit and staffing costs. Schedule of rate items were charged separately. The rationale being that as the contract progressed the contractor would undertake an annual review of the lump sum and as efficiencies were achieved, leaner systems delivered and materials procured more cheaply, savings would be shared equally 50/50 with the council. This proved difficult to achieve and there was little incentive for the contractor to drive out cost savings and then share 50% of it with the council. **The lump sum element has been removed from the new contract.**
 - ii. The schedule of rates were meant to be measured at net cost, therefore any cost savings that the contractor received should be shared 50/50. This was again difficult to measure and achieve. **A single all inclusive schedule of rates has been introduced. Any reductions in volumes will lead to a direct savings to the council.**
 - iii. Profits were to be adjusted (up or down) subject to performance on key performance indicators. The main problem with this was the way Key Performance Indicators (KPIs) were measured changed substantially during the contract, therefore profits were never adjusted. **A smaller and clearer set of KPIs have been introduced with a transparent process for reward and sanction.**
 - iv. There were explicit clauses limiting sub-contracting but these were not effectively controlled and managed. As a result, at its highest, up to 70% of work was sub-contracted. This led to difficulties in quality management. Differential rates of pay of sub-contractors also meant that some sub-contractors were not always financially motivated to deliver the best possible service. **An explicit target of no more than 10% sub-contracting for non-specialist works has been set out in the contract with sanctions if this is not achieved. This is also a key selection criteria and will be rigorously applied post award.**

- v. The contract was a traditional measured term Joint Contracts Tribunal (JCT) contract with partnering principles overlaid. The criteria for moving to partnering arrangements were not clearly defined and therefore were never implemented. **A JCT contract is being procured once more and partnering is not specifically mentioned. Instead, the contract sets out the need to work collaboratively to deliver a first class service to residents.**