

Slough Borough Council

Report To:	Cabinet
Date:	18 December 2023
I Subject:	Options Appraisal re Procurement of the repairs maintenance and investment (RMI) Contract
Lead Member:	Cllr Kelly – Lead Member for Highways, Housing and Transport
Chief Officer:	Pat Hayes – Executive Director Regeneration, Housing and Environment
Contact Officer:	Chris Stratford – Director of Housing
Ward(s):	ALL
Key Decision:	YES
Exempt:	NO
Decision Subject To Call In:	YES
Appendices:	Appendix 1 - Options Report by Faithorn Farrell Timms

1. Summary and Recommendations

- 1.1 This report sets out the details and consideration given to the various approaches to the re procurement of the Repairs Maintenance and Investment (RMI) contract. The options appraisal goes through in a logical and thorough way the various contract procurement options and then identifies the best methods to be deployed and finally the contract structures which would best suite Slough Borough Councils objectives of providing a significantly different and much improved service offer to its tenants.
- 1.2 The detailed options appraisal report has been produced by a specialist consultancy support practice that has extensive knowledge of Repair Maintenance and investment contract procurement with a wide and relevant knowledge of the marketplace for procuring such contracts. They have advised several major local authorities and Registered Provider organisations on the placement of such contracts following successful procurement exercises. They therefore provide a professional independent view of the process and market considerations.

2. Recommendations

Cabinet is recommended to:

- Approve a short extension period of 4 months from December 2024 to 31 March 2025 to the current provider.
- Approve a soft market testing exercise to inform the procurement methodology for the future procurement of services.

- Delegate authority to the Executive Director of Regeneration, Housing and Environment, in consultation with the Lead Member for Transport, Housing, Highways, the Environment and Environmental Services, to determine the procurement route to secure best value and commence procurement, noting that a future report will be brought back to Cabinet in November 2024 to award any contracts.

Reason For Recommendations

The Council needs to procure a new Repairs and Maintenance Service to ensure improvements to the overall service offer delivering a more responsive and customer orientated services which should achieve significantly improved customer satisfaction. The officers have reviewed and carefully considered the detailed Options Report and have subsequently carefully reviewed the options for re procurement summarised in Options section of this report and fully support the recommendations made by the consultant for the reasons identified.

Commissioner Review

The commissioners are content with the recommendations in this report.

2. Report

Introductory paragraph

2.1 The current Strategic Repairs, Maintenance and Investment contract was procured between 2016 and 2017. Following this process Osbournes were appointed as the preferred provider with an initial seven-year period which expires 1 December 2024 with the option to extend the contract for a period of up to three years. The Council needs to decide on future delivery of these services.

Options Considered

The Options report contains the detailed options which have been identified and these are covered in some detail within section 7 of the options report. In summary however officers have considered the following primary options.

Option1

Recommend a further three-year extension of the current contract. This is **not recommended** given the current operational shortcomings in respect of customer satisfaction levels based on our latest tenant and leaseholder survey feedback. General performance levels around outstanding work in progress jobs, complaints received, and overall, the structure of the contract which no longer reflects the priorities of the service in terms of the delivery customer contact through a specialist contact centre using contractor resources and cleaning and estate services which could be potentially provided through an in-house estate warden service.

Option 2

Procure a single integrated contract. This is **not recommended** because this type of procurement given the overall anticipated marketplace for such contracts would still expose the Council to unreasonable service failure risk through employing a large single contractor across the Slough Borough area and all areas of maintenance and investment activity.

Option 3

Procurement of a single integrated maintenance and investment contract but separately procuring specialist works for compliance activity such as water management, Gas, and electrical compliance. This is **not recommended** as it still leaves the main single contract as a potential significant operating risk around the utilisation of a single large contractor.

Option 4

Procurement based on a more traditional multi contract approach with selective internalisation of customer service. This would include the direct control by the housing service of customer call centre activities which would be aligned with the Councils corporate approach to customer contact. Cleaning services under current contract arrangements does not represent the more comprehensive service approach which would also combine more general estate management allowing the formation of a new estate warden service managed potentially directly by the housing service.

There is also need for a more balanced approach to repair and investment to not only spread risk and operational profit across more capital planned works and repair works thus reducing more costly revenue repairs (**good practice suggest a split of 70% capital planned works against 30% repair revenue costs**) but also further reduce risk across more than one contract placement to include more than one contract to give greater flexibility around contract management and operational outputs which meet contract and customer expectations. This option therefore is the **recommended option**, subject to a soft market testing process to ensure the market will respond positively to a procurement. It is recommended that decisions on the procurement methodology is delegated to the Executive Director, with proposals for any insourcing and award of contracts being reported to Cabinet for a decision in 2024.

Background

2.2 The Council needs to consider its position now to determine whether it wishes to extend the existing contract to allow sufficient procurement time should the Council determine it does not wish to extend for a further period of up to three years. It is considered that a short extension to 31 March 2025 is required to ensure sufficient time to reprocur the services and have an effective transition. There is also an added benefit that the new contract will be aligned with the Council's new financial year.

2.3 The primary reasons therefore to conclude that a long-term extension of contract is not appropriate is rooted in given performance of the contractor, the need to urgently review the content of key elements of the contract such as cleaning, and customer service centre responses and the need to achieve a significant improvement in overall customer satisfaction. This in turn will improve the overall service offer by way of having potentially more direct control of key elements of the housing services such as the call centre management, and subsequently the client project management capacity.

Timetable to Reprocur New Contract.

Assuming that the soft market testing process leads to a new procurement process for a multi-contract approach, the following timescale is proposed.

- Cabinet Decision (short term extension and agree soft market testing) – December 23
- Issue prior information notice (P.I.N.) to engage market – December 23
- Soft market testing /early engagement – January 2023 to March 2024
- Publish Contract Notice – April 24
- Issue Tender – July 24
- Tender Return – August 24
- Issue Tender Report – October 24
- Standstill expires – December 24
- Contract preparation – December 24 to January 2025
- Mobilisation –January to March 25
- Go Live – 1st April 2025

Critical to any major procurement exercise such as this one would be, is comprehensive stakeholder engagement, to secure support and input to the ultimate model adopted. The programme above, from the cabinet approval decision, provides up to three months for such engagement.

3. Implications of the Recommendation

3.1 Financial Implications.

3.1.1 Members are asked to note that the re procurement of a new repairs maintenance and investment contract is a substantial commitment by the council in providing excellent service. Such a contract has major financial implications and of course in many ways carries significant influence in the way tenants view the overall service standards being achieved across the housing service. In financial terms during 2023/24 it is estimated that £11.8m will be spent on Repairs and Maintenance rising to £13.34m in 2024/25. Similarly, the investment budget for planned capital improvements is £11.5m in 2023/24 and £8.79m in 24/25.

3.1.2 The initial financial impacts of reprocurring the contract is identified within the Options report, but officers have also identified additional financial impacts for consideration by Cabinet, these initial cost estimates will be further refined and requested for inclusion within the approved HRA budget to be considered by Cabinet in February 2024 and included in the revised HRA Business Plan in February 2024.

3.1.3 It is not proposed that this contract would be utilised to provide maintenance and planned works across the General Fund as the preferred provider would specialise in the provision of services to residential assets as opposed to a combination of both. This should ensure best value for the cost base associated with council owned residential stock

as corporate building and services will include more complex service elements associated with larger facilities such as civic buildings or specialist sports facilities. It is also likely that contract terms are significantly different in relation to the current dates for renewing the RMI housing requirements and the General fund needs. Finally, there are the further administrative complexities of providing accounting services associated with the ring fence for the HRA investment and the use of HRA funding potentially ahead of re charging the General fund for works completed. Costs therefore are based on renewing the HRA contract only and include.

Decommissioning costs current contract	£150,000 (One off cost)
Consultancy Support Procurement	£164,025 (One off cost)
Estimated revised Client costs	£571,160
(These are new Ongoing potential costs)	
Estimated re Procurement costs	£180,000 (One off costs)
Total	<u>£1,066,185</u>

The decommission costs of £150,000, Consultancy support £164,025 and re-Procurement costs of £180,000 will be provided for in the 2024/25 budget while the new Client Management costs if applicable will be provided for in the 2025/26 budget to be considered by Cabinet in February see recommendations.

3.1.3 In addition to these early estimated costs there may be further costs expected for potential TUPE obligations by potentially internalising the cleaning service and customer service facilities and new costs associated with establishing a new Estate caretaking/ warden service from 2025/26 clearly it will be essential to factor into these options and it is intended to complete a pre determination of these implications as part of the full and necessary options appraisal which will be completed this will allow officers to fully understand such costs the necessary consultation arrangements associated with any subsequent TUPE obligations.

Some one-off preparation costs to establish these services might be expected in 2024/25 but the detailed report on the proposals to establish these service offers will identify these costs. Clearly the final structure of the new contract will emerge after the soft market testing exercise so a report detailing any detailed proposals and associated costs will follow no later than September 2024.

Finally, there will of course be increased costs associated with the new contract and these are obviously difficult to estimate as this is subject to the fully completed re tendering process and will be reported to Cabinet as part of the process seeking Cabinet approval to the final procurement outcome.

The increased cost assumptions are based on the approach to create more client project team capacity, and the new approach to subject to market testing introduce a more traditional multi contract approach to reduce exposure to a single contract performance failure. Finally taking account of the latest version of the Schedule of Rates applied through the National Federation will inevitably result in increased cost. Again, the final procurement exercise will allow for the introduction of any amended contract cost increase

within the 2025/26 HRA budget. The overall contract will need to demonstrate adherence to best value despite any increased costs.

3.2 *Legal implications*

3.2.1 The legal requirements for any re procurement of a major contract such as this are complex. The Council must ensure compliance with the Public Contracts Regulations 2015 and its own contract procedure rules. Housing officers will work closely with procurement and legal colleagues throughout the procurement process and any future contract negotiation. This will inform decisions on the best procurement method to use to ensure an adequate level of competition alongside the ability to negotiate with selected providers. Consideration will also need to be given to options such as setting up a framework or calling off existing frameworks. Decisions on the procurement methodology will be informed by the need to achieve best value and options to deliver social value by utilising small and medium sized enterprises, including local providers.

3.2.2 TUPE (Transfer of Undertakings) considerations must be considered both in terms of the existing contractors' staff moving to a new contractor or transferring to the Council as part of an insourcing arrangement.

3.3 *Risk management implications*

3.3.1 The Options report has provided a logical well thought out process to the delivery of a new contract and in section 13 Appendix A of the report runs through the various options and have provided a RAG rated description for each option with respective advantages and disadvantages which covers appropriate risk factors. These risks will be added to the directorate risk register and will be managed aggressively by improved Officer Client Project management resources being secured.

3.3.2 The risk process can then be managed by more direct intervention by specialist Contract Surveyors for key elements of the maintenance and investment priorities agreed from year to year. Further the final introduction of effective IT systems such as (CURA) to monitor risks and deliver effective automated reporting and capture of key contract performance data will significantly improve overall risk management.

3.4 *Environmental implications*

3.4.1 The contract documentation will set out the Councils expectation around the primary issues of conducting the new contract from an environmental and climate change perspective. This will include the use of materials, products, recycling expectations, vehicles, and any appropriate targets and KPI performance issues to be deployed to measure compliance and contract requirements.

3.5 *Equality implications*

The Council has a duty contained in section 149 of the Equality Act to have due regard to the need to:

a) eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under this Act.

b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and

c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The protected characteristics are Age; Disability; Gender reassignment; Marriage and civil partnership; Pregnancy and maternity; Race; Religion or belief; Sex; and Sexual orientation.

Inclusive and accessible engagement is one of the five themes of the Resident Engagement Strategy which seeks to reduce barriers to involvement for our diverse residents improve involvement of under-represented groups within Slough. There will be a full equality impact assessment completed as part of the procurement documentations for bidders to note and comply with.

3.7 Workforce implications

3.7.1 The report has highlighted some potential TUPE arrangements that may apply by internalising services areas presently included within the current contract. These will be assessed in detail as part of securing the final contract structure. Other work force issues relate to the extension of the client-side project management capacity and the Options report indicates the potential implications in this respect. Finally, there may be a requirement for additional staff training as required to implement and work with a new contract arrangement.

3.8 Property implications

3.8.1 It is intended that the present Offices at Hawker House will no longer be required and can be returned to the landlord once the existing service is ended. The associated cost is included in the decommissioning the building in section 3.

4. Background Papers

None