

	Decision of Cabinet Member for Housing and Welfare Reform
	Report from the Strategic Director Community Wellbeing
AUTHORITY TO EXTEND AND VARY THE INTEGRATED ASSET MANAGEMENT, PLANNED AND CYCLICAL MAINTENANCE WORKS AND RESPONSIVE REPAIRS MAINTENANCE WORKS CONTRACT WITH WATES CONSTRUCTION LIMITED	

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Part Exempt – Appendices 1,2 and 3 are exempt as they contain the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: “Information relating to the financial or business affairs of any particular person (including the authority holding that information)”
No. of Appendices:	1. EXEMPT financial and value for money report 2. EXEMPT Echelon contract review report 3. EXEMPT Echelon commercial assessment
Background Papers:	None
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1.0 Purpose of the Report

- 1.1 This report provides the background and rationale to the proposed variation and extension of the Integrated Asset Management, Planned and Cyclical Maintenance Works and Responsive Repairs Maintenance Works Contract (“IAM Contract”)
- 1.2 A commissioned review has considered the service delivery and cost implications of extending, varying or re-procuring each of the work streams

provided by the IAM Contract. The review has considered four options for future service delivery and these will be discussed in the report.

2.0 Recommendations

That the Cabinet Member for Housing and Welfare Reform, having consulted with the Leader:

- 2.1 Approve the variation and extension of the Contract for Integrated Asset Management, Planned and Cyclical Maintenance Works and Responsive Repairs Maintenance Works with Wates Construction Limited for a period of 2.5 years from 1 January 2020.
- 2.2 Approve the variation of the Contract referred to in Recommendation 2.1, to permit the suspension of the major works element of the Contract for such period or periods as the Council considers appropriate for the reasons detailed below.
- 2.3 Note the intention of Officers to re-procure the major works element of the current Contract referred to in Recommendation 2.1 separately during periods of suspension referred to in Recommendation 2.2 for the reasons detailed below.

3.0 Background

- 3.1 Brent Housing Partnership (BHP) procured the IAM Contract for the delivery of planned, cyclical and responsive maintenance and repairs services for the Council housing stock in 2014.
- 3.2 The IAM Contract was awarded to Wates Construction Ltd (“Wates”) and commenced on 1 October 2014.
- 3.3 The IAM Contract was based on partnership working. The ethos of the IAM Contract is to deliver good resident satisfaction. This requires Brent and the contractor to be working well together. This is evidenced in 4.00 below. Examples are:
 - Responsive repairs – Brent taking the calls, diagnosing repairs appropriately and sending instructions to the right trade staff.
 - Planned works – Brent consulting with residents on planned maintenance and Wates managing the construction supply chain to deliver what is required.
- 3.4 Performance problems were identified with BHP by the Council in December 2015. Over the period between January 2016 and October 2017, a review of BHP was undertaken, followed by consultation with residents about whether to bring BHP back into the Council. This led to a decision to formally insource Housing Management services in October 2017. During the review and transition period, there was increased management scrutiny of BHP, but it was still independently managed.

- 3.5 The Council took over direct management of the IAM contract in October 2017, which coincided with the appointment of a new management team for the Housing Management service. As such, the Council has only directly managed the contract for the last 2 of the 5 years. The contract was novated to Brent Council and therefore it inherited all terms and conditions.
- 3.6 With the initial 5-year contract term ending in October 2019, it was decided to formally undertake a detailed review of the service to inform the decision-making process of whether or not to extend the contract, and if so, on what terms. The IAM contract was extended for three months in order to complete the review.
- 3.7 The contracted services covered include:
- Responsive repairs
 - This relates to general repairs both in tenants' homes and in communal areas
 - Planned maintenance
 - Internal refurbishments including kitchens and bathrooms
 - External refurbishment of properties
 - Low rise fire safety and communal refurbishment works
 - Estate improvement works
 - Major works (yet to be started)
 - High-rise fire safety and block refurbishment.
- 3.8 The service is delivered to both tenants and leaseholders throughout the borough and as such the contract is compliant with leasehold statutory consultation requirements. This allows Brent to deliver services to leaseholds and to recharge for those services. This simplifies and speeds up the process of refurbishment work.
- 3.9 Since taking over the IAM contract, a series of meetings and workshops took place throughout 2018 with the intention of identifying where and how Brent and Wates could improve the service and get processes and partnerships working effectively.
- 3.10 During this time, Brent has made significant improvements in the delivery of the responsive repairs service including improving repair advice at the point of telephone call and in performance management. The Wates repairs team have invested in staff and IT software, thus embracing the need for change and have worked well with Council officers to deliver the improvements and to establish the framework for further improvements going forward.
- 3.11 However, the Wates planned maintenance team has not achieved the same level of improvement, despite Brent making significant improvements to its own planned maintenance processes.
- 3.12 The Council appointed an external consultant in June 2019 to provide an independent report that would inform the decision-making process. The consultant was procured via a competitive quotation process. Three consultants quoted on an experience and price basis. Echelon Ltd were successful.

3.13 Echelon conducted an in-depth review, which included an all-partner workshop and individual meetings with senior staff and other stakeholders within Brent and Wates. The information collected from these activities led to an appraisal of options for future contract strategies that has informed the decision making process. A further consideration was that service continuity would be essential and therefore the preferred option would have to accommodate this.

4.0 Performance of the Contract - Responsive Repairs & Improvements

4.1 In 2018 a series of meetings and in-depth (independently facilitated) workshops were held between Brent and Wates. These created opportunities to discuss issues with operations and collaborate on solutions to these. Following these initiatives and agreement on the key improvements to be made, a weekly meeting was instigated between key operational staff in Wates and Brent Repairs and Customer Experience teams. This meeting is chaired by the Head of Service.

4.2 Based on feedback in the workshops and complaints analysis five key areas were targeted and monitored focusing on improvements in both organisations. These are:

- Appointments
- Emergencies
- Diagnosis
- Completions (first-time)
- Customer satisfaction

4.3 The main objective from targeting these five areas was to achieve a positive impact on efficiency and customer satisfaction. It must be stressed that all of the improvements in responsive repairs are as a result of exemplary collaboration and mutual support from Wates, the repairs staff and the customer experience team.

4.4 It was clear that the number of appointments available when customers called was not meeting customer expectations. The routine repairs SLA in the contract was 28 days and limited or much longer appointment availability meant that appointments could be booked up to a month in advance. This also created knock on effects of increased no-access and job escalation. Consequently, where appointments could not be booked early, the call centre would raise routine and urgent repairs as emergency jobs as a means to satisfy resident demand.

Appointments

KPI monitoring	2018/19	19/20 April - September (first 6 months)
Emergency appointed on call	100%	100%
Urgent repairs appointed when customer called	77%	100%
Routine repairs within 4 days	41%	80%*

*not all residents ask for an appointment within 4 days, preferring 5 or more days

- 4.5 Wates agreed to open up 150 more appointment slots per week and the contact centre were instructed to book the appointment within 2, 3 or 4 days of the customer calling. Wates were able to release these resources because Brent had managed the level of emergency orders requiring a four-hour response. This helped to meet customers' needs and gave Wates the opportunity to access the home and fix the problem, well before the 28-day target. Wates also agreed to complete all routine repairs within 14 days.
- 4.6 Emergency and out of hours appointments were an area of concern in the contract due to high levels of emergencies being raised at a total of 29% of all jobs raised. It is important to manage levels of emergencies in order to ensure that those residents in need of an emergency response are not crowded out. This also reduces the strain on operational delivery allowing Wates to plan resources and ensures consistency in the service.

Emergencies

KPI monitoring	2018/19	19/20 April - September
%. of emergencies P0 raised – out of hours raised (include excluded)	11%	10%
%. of emergencies normal working hours	18%	11%

- 4.7 Analysis of the emergencies being raised included reviewing job descriptions, feedback from Wates operatives who attended on whether they felt the work was justified and in-call listening by the Customer Experience Team manager.
- 4.8 This resulted in two actions being taken, one in relation improved appointments and the other in relation to re-iterating service standards with Brent staff and Wates' out of hours operatives.

Diagnosis

- 4.9 The diagnosis of a job can be very difficult as officers not only have to interpret the issue from what the customer is telling them but also have to select the correct service request codes in the system to direct the right operative to the job. Getting this wrong causes delays and frustrations for the customer and the operatives involved as the appointment is kept but no work can be carried out. Based on complaints analysis and feedback from Wates at the workshops, this identified diagnosis as a key area to monitor for improvement.
- 4.10 Data on diagnosis has been monitored since April 2019 and had not been collected previously on the contract. Wates feedback weekly on system and operator errors so that our contact centre can learn from them.

Completions

KPI monitoring	2018/19	19/20 April - September
Wates routine repairs completed in 7 days	56%	82%
Wates routine repairs completed in 14 days	76%	91%

- 4.11 The significant effort spent on getting the appointments booked, managing emergencies and getting the correct diagnosis has helped to bring about an improvement in timeliness of completions for our customers. The teams know that if they act quickly to do the work first time then this will provide the optimum customer experience and thus satisfaction.
- 4.12 Reviewing the completion data in 2018/19, shows an improvement from 76% completion within 14 days to 91% completion

Customer Satisfaction

Date Range	% Satisfied
Oct 16 - March 2017	69%
April 2017 - March 2018	72%
April 2018- March 2019	76%
April 2019 - October 2019	81%

*Monitoring via text message started in October 2016.

- 4.13 The data shows steady improvement after concerted effort from all parties since the transfer of BHP to improve and to learn from customer feedback. Customer satisfaction is rising following changes in attitudes, processes, targets and partnership working.

- 4.14 All customers who have had a routine repair completed are sent a text message survey by BMG Research asking if they were happy with the repair. Customers can respond yes or no and if they say no, an officer from Brent calls them back to listen their feedback and progress any outstanding issues.
- 4.15 Officers and Wates also jointly review negative feedback from customers. Recent themes that are coming from these responses are pointing out flaws in the management of complex jobs and this is being addressed as the next phase of focus for improvement to guide Brent and Wates gain further improvement in satisfaction.

Performance of the Contract - Planned Maintenance & Improvements

- 4.16 The Planned maintenance programme may notionally spend an average £10m per annum and this year is mainly constituted by two large programmes:

- The external fabric programme
- The low-rise fire safety works programme

The external fabric programme is twice the value of the low-rise fire safety works programme.

- 4.17 The external fabric programme (£8M of roofing, windows and repairs):

- The works were delivered to programme last year and are on track to be delivered ahead of programme this year.
- The quality of completed work is good and quality assurance processes are followed up by Brent contract managers to evidence this regularly.
- The next 2 year's budgets and programme have been agreed
- Leasehold consultation is now being carried out in advance of the programme.
- Officers and Wates are confident about the delivery of this programme

- 4.18 The low-rise fire safety works programme (£4.5M of common area fire safety and refurbishment works):

- The works have not been delivered to programme and are significantly behind.
- Wates have made significant changes to the team
- Wates are adding two more fire-door manufacturers and sub-contractors to the delivery team. This significantly increases the resources that have the greatest impact on the programme.
- The quality of completed work is good and quality assurance processes are followed up by Brent contract managers to evidence this regularly.
- It should be noted that delivery of this programme is carried out in a very challenging market with respect to available resources for fire safety work
- Leasehold consultation by Brent is well in advance of the programme.
- Wates planned maintenance staff are now becoming more engaged and proactive with Brent officers and that is leading to an improvement in the delivery of the programme

- 4.19 Similar to the efforts put into improving responsive repairs, there has been work completed to improve delivery of planned maintenance and the experience residents have before, during and after the process. However, the improvements achieved have not been at the same scale or collaboration as experienced in responsive repairs, particularly on the low-rise fire safety programme.

In Brent's planned maintenance team, the following improvements have been implemented:

Scaffolding

- 4.20 Under BHP management, Wates were allowed to erect scaffolding on a significant number of blocks, in anticipation that works might be commissioned. This meant that scaffolding was erected for long periods, without any works taking place. This led to high levels of complaints from residents. In 2018, Wates were instructed to remove all unnecessary scaffolding and a new scaffolding process was agreed, which ensured scaffolding would only be erected after works have been agreed and about to commence and residents have signed up to those works.

Following the introduction of these measures, and within months, the level of scaffold complaints fell to less than two a month, with resultant cost reductions. At its peak there were 4 to 5 scaffold related complaints every week.

Resident Consultation Events

- 4.21 Under BHP, resident consultation meetings on planned maintenance were poorly attended and as such, residents did not feel engaged in the process. This meant that residents were poorly informed on the works, leading to complaints about lack of knowledge and unfair costs after commencement or completion of works.
- 4.22 After analysing attendance records for a period of six months, it was agreed to trial offering leaseholders a 1-2-1 or specific meetings to discuss the works and costs to their properties. This has proved to be very effective, with a very good take up by the leaseholders, and in most cases during business hours. Consultation events are also attended by Wates.

Section 20 Consultation

- 4.23 Following high levels of complaints about the Section 20 process, a Section 20+ process was introduced. This meant that both tenants and leaseholders were engaged and consulted at the works design stage, before commencement of works and during the snagging stage at the completion of works.
- 4.24 This involves sending out unpriced specification of works to all residents, regardless of tenure and inviting residents to comment on the proposed works, with a site walkabout with Brent and Wates.

- 4.25 This is proving to be a success as residents feel they are involved in drawing up and finalising the works to their properties. The Section 20 notice is prepared after the consultation. Some leaseholders are waiving the 30-day Section 20 notice period, as they have agreed the works, know the cost and want the works to commence, therefore reducing the time taken for the 30-day period and responding to observations.

Councillor Communications

- 4.26 We are also informing ward councillors about works in their wards before the Section 20 notices are sent out, so they are aware and know who to contact before leaseholders go to them with the notice and complain to them.
- 4.27 In the past councillors only became aware of these projects when leaseholders went to complain about the cost of the works. This is having a positive impact on communications with ward councillors.

On-Site Communications

- 4.28 Recently residents have started to be invited to monthly meetings and walkabouts on site during the works, at handovers as well as end of defects inspections, depending on when the project started or finished. These meetings are now well attended by residents.
- 4.29 If there is an active Residents Association, all monthly newsletters are run past the Chair for their comments and signed off before they are sent out, thus building a relationship with residents and winning their trust.
- 4.30 This will also be useful when the major works bills are sent, as leaseholders, having being part of the process, will recognise the works and associated costs, reducing the need for disputes.

Absentee Landlords

- 4.34 One of the common complaints from absent leaseholders was that they were not kept informed of on-going works to their properties. Their tenants got the updates as they were hand delivered, but the leaseholders did not.
- 4.35 Brent now ensure the same information is sent to the absent leaseholders; whose preferred means of communication is by email. Wates also have this information and send their newsletters to the leaseholders, as well as invitation for meetings and handovers.

Leaseholder Observations

- 4.36 Significant improvements have been made in the way in which Brent respond to leaseholder observations and queries, which used to be very poor. Historically, BHP either did not respond or responded only to some of the questions raised.

- 4.37 There was little transparency and a great reluctance to share information with leaseholders. This led to leaseholders being suspicious and not trusting of BHP.
- 4.38 Responses to observations are now comprehensive. They include useful links to information e.g. the National Federation of Housing Schedule of Rates which is the main pricing document the Wates contract is priced on and relevant health and safety cases relating to works the leaseholders have challenged etc.
- 4.39 This transparency is slowly building trust in Brent as well as protecting Brent from any legal challenge.

Brent contract leadership

- 4.40 Under BHP, contract management was weak and the leadership of the contract was left in abeyance and the gap filled by Wates. Wates were allowed to determine the design, scoping and programming of the works. However, leadership has been taken back by Brent in order to set the agenda and control the programme and the works. The best example of this is the low-rise fire safety programme where Brent undertook the surveying, design, scoping and works scheduling for each block. Wates were then provided with the necessary instructions, priorities and agreed a programme to commence from November 2018 for one year.

5.0 The existing Contract and Value for Money

- 5.1 The independent review shows that the contract is delivering value for money. The financial implications are commercially sensitive, so have been included in the exempt appendix 1.

6.0 Options Appraisal

- 6.1 Four options for the future delivery of the service were considered in the review. These were:
- Option 1 – Extend the IAM Contract but suspend the major works element of the IAM Contract for such period or periods as the Council considers appropriate and re-procure the major works stream during such periods of suspension.
 - Option 2 – Extend the IAM Contract but re-procure the major works and planned maintenance work streams. Keeping only the responsive repairs
 - Option 3 – Re-procure a new contract
 - Option 4 – Create an alternative delivery entity such as a wholly owned subsidiary or joint venture.

- 6.2 The options appraisal was carried out by Echelon and they provided a summary of the relative advantages and disadvantages of each option and the potential procurement costs of each in their report. Please see app. 2
- 6.3 Officers have reviewed all options but have settled on option 1 primarily because it maintains service continuity, particularly the repairs service and completion of the low-rise fire safety programme, and because there are no alternative delivery mechanisms in place.
- 6.4 With regard to option 2, whilst the contract may be extended, the re-procurement of planned maintenance work would signal the end of the relationship with Wates and put the completion of the low-rise fire programme at risk. In addition, this may undermine service delivery and development during the extension period. It is unlikely performance will improve. It is more likely to deteriorate including in responsive repairs.
- 6.5 With regard to options 3 and 4, there is also a need to extend because there are no alternative delivery mechanisms in place. It will take 18 months to put those options in place
- 6.6 Having considered all options, it is recommended option 1 be implemented and the contract extended for the responsive repairs and planned maintenance work streams. The independent review shows that the contract is delivering value for money. The repairs service has improved and is continuing to do so. Planned maintenance has also improved, albeit not as much as responsive repairs. The works that are in progress and/or planned may continue to be delivered. In addition, there will be a suspension of the major works element of the Contract for such period or periods as the Council considers appropriate with major works, during the period of suspension, being separately procured.
- 6.7 With regard to continuity for Wates, this proposal will provide turnover and employment of their current supply chain. Equally important to the morale of Wates and their continued investment in the relationship with Brent, Wates may get the opportunity to undertake some of the major works programme following the lifting of the suspension if, for example, they perform to target on the planned maintenance work.
- 6.8 The extension term proposed is 2.5 years. This will allow for the performance review period in the first year and re-procurement options for Brent if planned maintenance work does not meet target. This would operate as detailed in subsequent paragraphs.
- 6.9 A formal review of the responsive repairs service will be undertaken in months 9 to 12 of the first year of the extension. The planned maintenance review will be undertaken in months 6 to 9. This will consider Wates' performance measured against new metrics that will be monitored monthly by the Head of Service and quarterly by the Strategic Director, CPB and CMT.

- 6.10 The monthly monitoring process will inform if Wates are on target. By the time month 9 is reached, Brent will know if a further extension may be warranted or not. The 9 month milestone is included in order to confirm the point from which the decision is considered.
- 6.11 Should Wates' performance not be to the required standard and it is decided not to extend the contract, there will be at least 1.5 years contract term remaining. This will allow the service to continue in place whilst a new contract is procured. Short-term procurements via an existing framework could be undertaken if necessary.
- 6.12 Under Option 1, Brent will suspend the major works element of the IAM Contract for such period or periods as the Council considers appropriate. This is because of concerns about Wates ability to carry out such works in a timely manner based on the Council's experience to date under the IAM Contract, including Wates' delayed performance in delivering the low-rise fire safety programme.
- 6.13 During any suspension of the major works element of the IAM Contract, Brent will procure and manage other contractors to deliver the works.
- 6.14 Notwithstanding the above, a 13-week termination clause exists in the contract, should a serious service failure occur.

Financial Incentives

- 6.15 It is proposed to introduce the following financial incentives for Wates to provide focus on the required service objectives:
1. Retention for planned works. This will encourage Wates to complete works and defects more timeously. This would be 3% of the certified valuation value and would reduce to 1.5% at practical completion. The remainder becoming due following making good defects.
 2. The completion of the low-rise fire safety programme will be reviewed and agreed with Wates. This will then be monitored monthly. It is proposed that failure to deliver the agreed monthly completions will result in up to a 3% financial penalty.

7.0 Next Steps

- 7.1 Wates are agreeable to the extension and variations as contained in the recommendations. The timetable for implementing the extension is as follows:
- Lead member decision (subject to call-in) made on 9 Dec 2019
 - Extension letter to Wates – 20 Dec 2019
 - Deed of variation and extension finalised – 31 December 2019
 - Extension commences – 1 Jan 2020
 - Metrics agreed – 17 Jan 2020
 - Commercial review – 1 Feb to 31 March 2020

- Governance
 - Operational meetings – monthly
 - Strategic meetings – quarterly
- First planned work stream review – July to Sep 2020
 - Decision on possible further extension – Sep 2020
- First responsive work stream review – Oct to Dec 2020
 - Decision on possible further extension – Dec 2020
- Decision on the award of some major works – Oct 2020
- Decision on the award of some major works – Oct 2020

8.0 Management Arrangements

- 8.1 The current IAM Contract management arrangements comprise of a Wates' management team and a corresponding Council management team. The Council will be reorganising to make one senior contract manager responsible for the IAM Contract.
- 8.2 The design, procurement and delivery of the major works programme will require additional management input from Brent. The additional management input will be required regardless of whether Wates and/or other contractors are procured for delivery.

9.0 Legal Implications

- 9.1 The IAM Contract commenced on the 1 October 2014 for a period of five years with the option to extend the contract by a further period of five years. It is recommended to extend for a shorter period (two and half years). As this shorter period is not provided for in the IAM Contract, approval is required not only for the extension of the IAM Contract but also the variation of the term of the extension. Additionally a variation is sought allow the Council to suspend the major works element of the IAM Contract. Paragraph 7.1 confirms that both the shorter period of extension and the suspension of the major works element is agreed by Wates as is required by the IAM Contract.
- 9.2 Regulation 72(1) of the Public Contract Regulations 2015 ("PCR 2015") provides that variations to existing contracts are permitted without commencing a new procurement in certain circumstances where they were not referred to in the original procurement and have become necessary. Regulation 72(1)(e) provides that variations are permitted where the modifications, irrespective of their value, are not substantial within the meaning of Regulation 72(1)(8). Given the IAM Contract is part way through, it is considered that the proposed modifications to the IAM Contract are permitted pursuant Regulation 72 of the PCR 2015.
- 9.3 The nature of the extension and variations means that the Strategic Director and Operational Director do not have delegated authority to agree the extension and variations. This is due to the fact that the extension is not in accordance with the provisions of the contract (Officers seek an extension of 2 years 6 months rather than the 5 years provided for in the contract) and the total value of the variations is estimated to be in excess of £1 million.

Paragraph 13 of Part 3 of the Constitution provides that the Leader has delegated certain functions to Cabinet members to be exercised within their portfolio area and in consultation with the Leader, one of which is:

Agreement of contract extension, variation or termination where the decision is excluded from officer delegated powers because:

- (a) the extension goes beyond the period of extension provided for in the contract (if any) or is otherwise not in accordance with the extension provisions in the contract; and
- (b)
- (c)or
- (d) in the case of any variation (other than an extension):
 - (i) the total value of the variation is £1 million or more; and
 - (ii)

In view of the above, the Cabinet Member of Housing and Welfare Reform has delegated powers to agree the extensions and variations recommended.

10.0 Financial Implication

- 10.1 The Wates Integrated Asset Management contract for council homes is funded from the HRA (Housing Revenue Account). The budgets are split between revenue budgets for day-to-day responsive repairs, and capital budgets for planned and major works. The Revenue budget for Wates repairs service is on average £5m. This covers both fixed contract costs and out of contract works. The capital major works budgets on average is set at £10m. This covers various schemes such as roofing, windows and external repairs.
- 10.2 The Repairs contract between Brent and Wates consists of a pricing model that involves Schedules of Rate (SOR) that are adjusted to factor in the National Housing Federation Schedules of Rates for certain work elements.
- 10.3 The financial implications for all four options are commercially sensitive, so have been included in the exempt appendix.

11.0 Equality Impact Assessment

- 11.1 The proposals in this report have been subject to screening and officers believe that there are no equality implications.

Report sign off:

PHIL PORTER

Strategic Director Community Wellbeing