

# CABINET

THURSDAY, 19 DECEMBER 2019

## REPORT OF THE PORTFOLIO HOLDER FOR HOUSING SERVICES AND COMMUNITIES

### UPDATE ON HOUSING REPAIRS & INVESTMENT CONTRACT

#### EXEMPT INFORMATION

Not Exempt

#### PURPOSE

This report provides an update on progress to date in respect of the future delivery of the Housing Repairs and Investment Contracts.

This report provides an update on the development of the in-house call centre associated with the delivery of Housing Repairs and Investment Works.

This report provides information on the implementation phase of the Housing Repairs and Investment Contracts.

#### RECOMMENDATIONS

1. Members are asked to endorse the contents of this update in relation to the delivery of the Housing Repairs & Investment Contracts.
2. Members are asked to endorse the contents of this update in relation to the establishment of an in-house call centre associated with the delivery of the Housing Repairs and Investment works.
3. Members are asked to approve interim arrangements for the provision of the out of hours call centre for a period of twelve months.

#### EXECUTIVE SUMMARY

The current contractual arrangements with Wates for the delivery of the Housing Repairs and Investment Service comes to an end on 31<sup>st</sup> March 2020 with no option for further extension. On 20<sup>th</sup> December 2018 Cabinet approved the procurement of two new 10-year contracts for delivery of Housing Repairs and Investment along with the establishment of a new in-house call centre to deal with the receipt and deployment of all Repairs & Investment related calls. In the same report Cabinet delegated authority to enter into contract to the Executive Director (Communities) in consultation with the Portfolio Holder for Housing Services and Communities.

Given the value and nature of the contracts being let the Council was obliged to follow the requirement of OJEU and PCR2015 when undertaking the procurement exercise.

The contracts were split into two lots; Lot A will deliver predominantly works of a planned nature; Lot B will deliver predominantly responsive repairs with some

elements of planned works. Both lots were procured using the tried and tested National Housing Federation [NHF] schedule of rates [SOR] and the NHF form of contract.

External support was procured to assist with the delivery of the procurement process; this was provided by RAND Associates [Technical] in partnership with Anthony Collins Solicitors [Legal].

Procurement followed a two-stage process with an initial selection process followed by the detailed assessment of price and quality along with an interview involving tenants and an assessment of the Contractors IT systems.

The split of Cost:Quality in the second stage of the procurement process was 30:70, the cost assessment was based on the contractors percentage adjustment against the pre-priced SOR. The quality element was assessed against a comprehensive set of questions covering, customer service, innovation, IT and Social Value. Contractors were interviewed by Officers, External Consultants and representatives from the Tenants Consultative Group.

Four Contractors submitted tenders for each Lot; all of the submissions were of a very high standard and as such there was very little to choose between them in regards to quality. Through their submissions all of the Contractors demonstrated an understanding of our needs and instilled confidence in their ability to deliver the service required of them.

Following the procurement process to its natural conclusion and subject to the outcome of any Leaseholder consultations the contracts will be awarded as follows:-

Lot A [Planned] – Wates Living Spaces

Lot B [Response ] – Engie

Given the value and length of these contracts the Council is obliged to formally consult with its Leaseholders if it is to seek to recover costs for qualifying works in the future, this is known as S20 consultation. By the nature of the way in which these contracts have been procured it is unlikely that any Leaseholder will have a valid reason for the Council not awarding to Contractors named above but formal contract award cannot take place until the consultation process has been completed, as such it is anticipated that contracts will not be formally signed until the first week in January 2020.

Once the contract documents have been signed during the first two weeks in January 2020 the process of demobilising the existing contract and mobilisation of the new contracts will commence. The Council will work closely with the contractors involved to ensure that the transition on 1<sup>st</sup> April 2020 takes place as seamlessly as possible. Representatives of the Contractors will need to work closely with Officers of the Council on a wide range of matters. A detailed demobilisation plan will be developed with Wates to ensure that all current jobs are properly closed down and accounted for and that all servicing jobs are transitioned seamlessly to the new Contractor. At the same time the new Contractors will work with us to develop a comprehensive mobilisation plan to ensure that they are in a position to commence delivery the repairs service to residents on 1<sup>st</sup> April 2020.

As with previous contract changeovers there will be a series of communications with residents to inform them of the changes and to offer them reassurance around the

continuation of service delivery.

Alongside the mobilisation of the two new contracts the Council will be mobilising its new in-house Call Centre. Work has already commenced on this project with the view that some of the team will be in place well in advance of the new contracts commencing to ensure the technology, processes and procedures are in place to deliver the service to both residents and the new Contractors.

Commencing April 2020, we will retain a dedicated Repairs Line to be managed by Tamworth BC via a Team of Specialist Repairs call handlers. The Team will comprise of:

- 1 x FTE Senior Customer Service Officer
- 3 x FTE Customer Service Officer (1 temporary for 2 years)

The Team will be trained specifically in diagnosing repairs, problem resolution and monitoring satisfaction. We will segment our satisfaction data to monitor all steps of the repairs journey to allow us to specifically target improvements that will impact on overall satisfaction feedback. This, in addition to potential provision of diagnostic software, will maximise 'first time right repairs'\*. Our approach offers improved quality of service for customers and a reduction in aborted calls/no access. Within 9 months of go live, we aim to provide the customer with an appointment for repair and will utilise text messaging to keep the customer informed. Furthermore, we will explore developing our Repairs Policy to simplify priorities into:-

- 1) Emergency
- 2) Mutually agreed appointment with the customer.

Additionally, by managing this in-house, the Council will have ownership of data which can be used to shape and enhance the service offer, including customer satisfaction information.

Restructuring the Customer Experience Team to accommodate a dedicated Repairs Contact Centre provides extra resource for satisfaction monitoring and troubleshooting. Whilst it is anticipated that repairs operatives will ask the customer to complete a satisfaction survey via a PDA handheld device on completion of repairs, we will task our Repairs Team with contacting customers to monitor satisfaction at all stages of the process. Satisfaction data will be used to further shape the service and we will publish outcomes of feedback via corporate and customer communications.

The incoming contractors through their tender submissions have committed resources to ensure the successful establishment of the call centre.

### **Out Of Hours Arrangements**

Further detailed consideration needs to be given to the arrangements for handling emergency housing repairs calls outside of normal working hours. Such calls are few in number and are generally identified as being genuine emergencies that require the immediate attention of the contractor. During the procurement process all of the contractors indicated that they were willing and able to take emergency repairs calls outside of working hours.

Within the scope of this Project, creating an in house emergency repairs service is

being explored. From Contractor reports, we are informed that an average of 78 out of hours calls are reported each month. Set up costs to create in house call handling provision for out of hours repairs are prohibitively expensive given current demand levels.

Considerations in establishing an in house out of hours call centre include:

- Training of additional staff to handle calls effectively
- Shift allowances
- European Working Time Directive – could impact on resource availability for day service, operating split shifts could prove expensive through on costs for employment of more staff
- Overheads – building security, lighting, heating

Taking the above into account it is likely that the Out Of Hours service would have to be provided by a dedicated resource of 4 x FTE call handlers with an estimated staffing cost of up to £108,808, not including shift allowances or security arrangements. In addition to this there would be an additional premises and technology related costs which are estimated to be in the region of £28k per annum. As such the total estimate costs associated with answering circa, 950 calls would be £136,808, this would need to be met from the HRA repairs budgets.

It is proposed that the Council take advantage of the opportunity to make use of the Contractor's out of hours service for an initial 12 months, whilst the day to day and planned maintenance contracts are embedded during which time we determine a value for money option for out of hours repairs provision long term. The benefits of this approach are consistency and control of service delivery and cost savings.

The intention is to employ the same performance management approach for out of hours service requests as with the main contract during this period, to include the in house Repairs Team surveying tenants. During the first year of contract, we can implement measures to reduce the volume of out of hours service requests via strategic communications with customers and further develop our digital self-service offer via the customer portal. In addition we will work with the contractor to further develop the out of hours call handling service so that it meets the expectations of the Council and its customers.

## **OPTIONS CONSIDERED**

No additional options have been considered in the preparation of this report in relation to the procurement of the Repairs & Investment Contracts. This report sets out progress to date and provides information on the implementation phase of the project.

It has already been established that the Call Centre for receipt of repairs related calls and for the deployment of contracts will be delivered in-house with effect from 1<sup>st</sup> April 2020. There are however three options that have been considered in relation to the provision of Out Of Hours call handling services:-

Deliver in-house – as set out above this would prove to be very costly when taking into account that the average number of calls received outside of normal working hours is in the region of 950 per annum. In addition an objective of further developing the call handling service is to review the out of hours calls received and

communicate with our tenants to provide them with information to better inform them of the service we provide. We would not want to encourage any increase in demand for an Out Of Hours Service as this would serve to increase expectation and could drive up contractor costs. The key advantage of providing the service in-house is that it would operate seamlessly with the in-hours service. It should be noted that there would still be a requirement for our in-house call centre to make contact with the contractors out of hours call centre for the deployment of operatives, this would introduce an additional party to the process.

Outsource call centre – there are a number of companies operating in the private sector who would be capable of providing an Out Of Hours call handling service. There would be an annual charge for providing this service, the charges are generally based on the number of properties in management with some companies also charging on a per-call basis. Based on our current call rates costs are estimated to be in the region of £12,000. As with the in-house process there would still be a requirement for the call centre to make contact with the contractors out of hours call centre for the deployment of operatives, again introducing an additional party to the process.

Contractor operated – during the procurement process all of the contractors indicated that they would be able to operate the out of hours call handling service at no extra cost. All contractors already operate a call centre arrangement for the receipt of calls and deployment of operatives outside normal working hours. Making use of this arrangement would keep the costs of the service to a minimum and would remove the ‘middle-person’ from the process that would occur with the other two options as the customer would be in direct contact with the person who would be deploying the operative.

Of the three options the Contractor Operated call centre should provide the most cost effective solution whilst at the same time providing a more direct line of communication between the customer and the operative being deployed to undertake the work.

## **RESOURCE IMPLICATIONS**

It has been 3 years since we last procured this contract and the market has changed. There are fewer Contractors operating in this market and this was reflected in the interest received when procuring.

The SOR has been developed since we last procured the service and the latest SOR is more comprehensive and is priced more realistically but at the same time is more expensive in some areas to reflect material and labour costs. It was always anticipated that we would see an increase in costs from this procurement exercise, in part this is due to a changing market, but in addition to that there is an element of risk and uncertainty around the future market, our new contracts also require an element of Social Value which isn't included in the current contract.

Policy Changes have been identified to reflect the anticipated cost implications of this procurement process. Costs will be closely monitored and managed through the delivery of the contract and further we expect to undertake a detailed review of all repairs and investment related policies to ensure that they remain fit for the future. It is anticipated that the costs may increase by approx. £870k or 35% over the current costs.

Resources related to the In-House Call Centre have been separately identified through policy changes. Appointments and Staffing Committee have approved the addition of 1 FTE Senior Customer Service Officer and 1 FTE Customer Service Officer from 1<sup>st</sup> December 2019 to support the development of the service. It is anticipated that TUPE may apply and therefore no further appointments will be confirmed until the impact of TUPE has been fully realised.

The costs associated with the delivery of an in-house out of hours call centre have been set out above and are estimated to be in the region of £166,000 per annum. These costs would have to be met from the HRA repairs budget and would serve to reduce service elsewhere.

## **LEGAL/RISK IMPLICATIONS BACKGROUND**

Formal contract award and contract signing cannot take place until formal consultations with Leaseholders have concluded.

Although it is unlikely that Leaseholders will have any valid reasons to do so they may seek to prevent the Council from entering into contract. In mitigation of this the Council has duly consulted and has followed an OJEU & PCR2015 compliant tender process. Whilst there is an obligation to consider Leaseholder representations the Council does not have to accept their validity and can proceed to award of contracts. The risk in doing so is that at some later date a challenge from a Leaseholder if upheld may result in the Council not being able to collect charges.

As with any OJEU/PCR2015 compliant procurement process the Council is obliged to issue a Contract Award notice and must then wait for 10 days before contracts can be signed and the process of contract implementation begins. During this period any unsuccessful contractor may seek to issue a legal challenge against the proposed award, should this occur the Council would not be able to award the contract. The Council has followed a robust procurement process which should minimise the chance of a challenge but it remains a risk. In such an event immediate legal advice would need to be sought and discussions with the existing Contractor would need to commence.

As Wates will be losing some of their existing contract it is likely that TUPE will apply. Where TUPE is between Contractors it is a risk for them to manage and this will be addressed through the mobilisation process. It is also possible that some of the Wates staff will be eligible to TUPE to the Council to work in the Call Centre. This process needs to be carefully managed through the demobilisation/mobilisation phases of the contracts.

It must be recognised that bringing the call centre back in-house will bring with it some risks of its own. Other than the TUPE implications set out above we will also be working with a new contractor so will need to establish robust interfaces with their systems to ensure that the deployment of operatives is effective. The existing Contractor already uses the Council's IT systems for logging jobs and this is a continuing requirement of the new contracts, this is a proven approach and all contractors have demonstrated that their back office systems will integrate with ours. All Contractors indicated a willingness to place their own staff into our call centre during the early establishment period to ensure that there is a consistency in approach and that all parties have clarity around the receipt, diagnosis and

deployment of repairs calls. There will be a robust and detailed implementation programme that will ensure that the in-house call centre will be operational and able to receive calls and deploy operatives on day 1. The project plan will also set out further developments for the service.

The risks associated with the establishment of an in-house call centre that operates during working hours are limited, out of hours is a different issue and mainly relates to staff. As there would be a very limited number of staff employed to work the out of hours shifts covering any periods of absence, particularly those at very short notice or those occurring during the course of a shift would prove very difficult. In using either a an outsourced call centre or the Contractors own out of hours arrangements these risks would be mitigated as the call centre operator or contractor would need to provide the resource and cover. As these are going to be dedicated 24/7 call centres covering a wide range of clients there will be a larger pool of staff that they can call upon.

## **EQUALITIES IMPLICATIONS**

No specific equalities implications have been identified as a result of entering into these contract arrangements.

## **SUSTAINABILITY IMPLICATIONS**

The new contracts are being let for a period of 10-years. This is a sufficient period of time to allow for all parties involved to develop a long-term sustainable partnership type arrangement.

## **BACKGROUND INFORMATION**

Cabinet 20/12/2018

## **REPORT AUTHOR**

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## **LIST OF BACKGROUND PAPERS**

## **APPENDICES**