



Report of: Executive Member for Housing and Development

Meeting of:	Date	Agenda item	Ward(s)
Executive	11 July 2013		All

Delete as appropriate	Non-exempt	Exempt
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SUBJECT: KIER RESPONSIVE REPAIRS CONTRACT REVIEW

1. Summary

- 1.1 This report considers the options for delivering the best possible repairs service to Islington residents in terms of quality and price.
- 1.2 The report considers the extension of the contract with Kier Services Limited ('Kier') for responsive repairs, voids and adaptations, specifically considering if the contract should be extended from October 2014 to October 2017 or a shorter period.
- 1.3 The report also considers the other alternative delivery vehicles, the current performance of Kier and the implications of extending or discontinuing the contract.
- 1.4 There are two main options for Executive to consider:
 - An in-house service with a quantified estimate of potential financial risks
 - An extended contract subject to conditions that would have to be negotiated with Kier with unquantifiable financial risks.

2. Recommendation

- 2.1 Executive is asked to decide whether to exercise the option to extend the repairs, voids and adaptations contract with Kier and if so, the length of the extension and whether such extension should be conditional on Kier agreeing to provide additional benefits or a different set of services.

3. Background

- 3.1 The current responsive repairs and maintenance contract was tendered in 2009 and let in October 2010 for an initial period of four years, with the council having the right to extend for up to three years on each of two occasions. The contract mobilised on 31st October 2010, replacing the Joint Venture Agreement (JVA) between Kier Islington Limited and the council which had run from October 2000.

- 3.2 The successful bidder for the contract was Kier Support Services Limited, now Kier Services Limited ('Kier'). The contract is for the delivery of responsive repairs, servicing empty properties ready for letting and installation of adaptations for residents with mobility problems in tenanted and leasehold properties and the communal parts.
- 3.3 The contract does not include door entry system repairs, electrical testing, gas or lift repairs. These activities are included in separate contracts.
- 3.4 The contract is let on a schedule of rates¹ basis with all profit and overheads inclusive in the fixed adjustment of these prices. The tendered prices are increased by the Retail Price Index (RPI) each year.
- 3.5 The contract requires the council to review and consider extensions no sooner than two years from the start of the contract and no later than 6 months before each extension point.
- 3.6 The alternative options to extending the contract are to tender the works to the market, develop an in house service or to develop shared services with another landlord. All of these options would take considerable preparation which is why the review commenced as soon as the initial two year period expired in October 2012.
- 3.7 There are further options around the length of the extension of the contract – which could be for less than the full three years – or bringing elements of the contract in-house. Any variation would need to be negotiated with Kier, and could result in additional costs for the Council.

4. Kier Performance

- 4.1 The council monitors a range of performance indicators and expects the repairs contractor to meet challenging targets. Although Kier have not achieved all of these targets, they have been involved in the discussions on how to improve performance and are generally within 10% of the desired target.
- 4.2 Work quality is reviewed by the Technical Quality Assurance Team (TQAT). Generally the quality of work undertaken by Kier meets or exceeds the required standard. When this standard is not met Kier are subject to a recall to rectify the issue free of charge. Each month around 1% of orders attract a recall (approximately 400 per annum).
- 4.3 Although Kier's performance has improved in many areas over the first two years of the contract, it is currently less than optimal. For instance, performance of "jobs done right first time" and "urgent repair completions" has improved but remained below target (83% versus target of 94%).
- 4.4 Areas of particular concern include voids, where performance by Kier's sub-contractors has been very variable, and Kier's inability to clear overdue works orders as promised: there are still 580 orders overdue from 2012/13. Despite numerous reassurances this issue has not been brought under control.
- 4.5 Resident satisfaction surveys are conducted independently by Kwest (sample size around 9% of jobs). Overall customer satisfaction with the repairs service was 73.67% in 2012/13 (see appendix 1).
- 4.6 Analysis of complaints and satisfaction survey results suggest that the performance around complex jobs and communication is most likely to create dissatisfaction amongst residents. For example, the proportion of people reporting that they were kept informed of progress for repairs not completed on the first visit was 53% (against a target of 85%).

¹ A schedule of rates is a predetermined price list for a range of works fixing the cost of those works. The schedule is drawn up based on costs across the industry and allows comparison of costs between contracts and price certainty.

- 4.7 Kier's performance delivering mobility adaptations on behalf of the council's Occupational Therapists is very efficient and highly regarded. In this area Kier consistently meet all of their performance measures. Both customer feedback and performance indicators relating to this operation indicated excellent delivery and a faster, cheaper, higher quality service than that provided by previous contracts.
- 4.8 Benchmarking is inherently difficult between repairs services. The scope of service is variable between landlords and there are no fixed methods to measure the performance in an unbiased and open way. Actual adjustments to the schedule of rates are commercially sensitive so not readily disclosed.
- 4.9 The repairs service was benchmarked against the in house Estate Maintenance Team (EMT) regarding costs, with the EMT having costs approximately 28% higher than Kier. It is not possible to compare performance between the two teams as EMT have a greater ability to control their performance through issuing their own jobs.
- 4.10 Comparing the repairs budget to a neighbouring borough with comparable stock numbers, the overall budget for repairs is 20% higher than in Islington. While their in house service does not charge against the schedule of rates (rather they charge for materials and labour), their estimated adjustment would be 22% higher than that delivered by our current contract. This service does not provide all of the optional repairs and additional services currently offered by Islington.
- 4.11 Comparison of void costs between Islington and five other comparable boroughs in 2010-11 shows Kier void servicing costs to be the second cheapest. Their average turnaround time is the second fastest of the five boroughs.
- 4.12 Overall, the Kier contract has delivered a service that is usually satisfactory, but problems in performance and the views of Housing Executive, among other stakeholders, demonstrate that an extension to the contract on unchanged terms is not an option that would satisfy the Council or our tenants.

5. Feedback during the review

- 5.1 As part of the contract tendering process the client team engaged with as many stakeholders as possible to discover what was positive and what was in need of improvement in the old repairs contract.
- 5.2 As part of the review the client team went out again to get the opinion of stakeholders. Five events were held:
- A tenants' feedback session
 - A leaseholders' feedback session
 - A feedback session with Islington staff whose work is affected by the service (including Area Housing Office staff, caretakers and Housing Direct call agents)
 - A feedback session with staff directly involved in managing the contract
 - A feedback session with Kier staff.
- 5.3 Some aspects of the current contract and the contractor's performance were applauded: improved access to information and improved IT systems, flexible appointments and texting/calling ahead. Some reported improved quality of works and the efficiency and helpfulness of specific trade supervisors.
- 5.4 Keys areas requiring improvement identified by these discussion groups were: communication channels, contract resources, Kier staff's understanding of the contract, move towards first time fix as the norm, more effective leak resolution, more effective management of roofing and scaffolding.

- 5.5 The Housing Executive was established by the council as an advisory committee of the Executive to consider and provide comments and recommendations on aspects of the council's housing landlord functions and services. It comprises councillors, elected representatives of housing tenants and leaseholders and an elected Resident's Champion.
- 5.6 At its meeting on 13 June 2013, the Housing Executive's views were sought in order to help the Executive in making a decision on which of the options for the repair and maintenance service to select. The Residents' Champion and Vice-Champion (Homeowners) both argued that significant improvements are needed in Kier's performance. The Vice-Champion specifically represents leaseholder views, and he felt the contract should come back in-house even if that incurred additional cost, as the quality of work would improve. A summary of the discussion is attached as Appendix 2.

6. Other contract benefits

- 6.1 The contract delivers a number of wider benefits to the borough beyond the core requirement to deliver a good repairs service to residents. This section considers these additional contract requirements and Kier's delivery of them. The in-house alternative would present an opportunity and a challenge to the Council – in principle direct control would give us the opportunity to prioritise wider benefits, provided we can deliver the core services at an affordable price.
- 6.2 Kier are required under their contract to offer one apprenticeship placement per £3 million of turnover per annum. Based on their turnover on the contract of £12-15 million per year so far, in the last two years at the upper end of the turnover this would equal £30 million, meaning that 10 apprenticeship placements should have been filled within Kier across the last two years. Kier confirmed that they have filled 21 apprenticeship placements since the start of the contract in November 2010.
- 6.3 An in-house option presents an opportunity to increase the number of apprentices still further, and also to extend the requirement to provide apprenticeships to the Council's new contractors carrying out the work currently delivered by Kier's sub-contractors.
- 6.4 Kier is required to provide targets and plans for reducing their carbon footprint as part of the contract. They are also required to progress against these plans. Their efforts in this area have been recognised by the continuing award of the ISO 14001 certificate.
- 6.5 Kier introduced a brand new, more environmentally friendly fleet in 2012. They have further reduced carbon emissions by introducing smart work scheduling systems to minimise driving distances.
- 6.6 Kier have also reduced the use of landfill by engaging with a social enterprise, Bright Sparks based in Finsbury Park, to recycle waste from empty properties. This work was recognised at the recent Inside Housing awards.
- 6.7 Kier have committed to ensuring all their staff and subcontractors are paid at least the London Living Wage.
- 6.8 Kier have sponsored several high-profile events within the borough as a result of the repairs contract. These have included the Islington Word Festival, Islington's Got Talent and Soul in the City. Under their Corporate Social Responsibility they have held events for long-term unemployed residents.
- 6.9 Kier currently offer additional services not included in the repairs, voids and adaptations contract for the same contractual rates. These services include subcontracting for the Estate Maintenance Team (the in-house service delivering communal repairs), conducting repairs on behalf of Islington Residential and undertaking works in default for Environmental Health.

- 6.10 Kier were also awarded the gas servicing contract (for the north of the borough) and a Garchy waste systems servicing and repair contract. The competitive prices on these areas of work are largely down to sharing the overhead for operating these contracts with the repairs, voids and adaptations contract. If the repairs, voids and adaptations contract is not extended, those other two contracts may not be financially viable for Kier on their own. However those two contracts contain the same extension provision as the repairs, voids and adaptations contract and the right of the council to extend those contracts is not dependent upon extension of the main repairs contract.

7. Options appraisal

- 7.1 At the start of the contract review four main options were considered: extending the contract until October 2017, retendering the contract, partnering with another borough or landlord, and bringing the service in-house (or Direct Labour Organisation).

Kier Contract Extension

- 7.2 The Kier model constitutes a continuation of existing arrangements and offers the ability to improve on these existing arrangements. It offers a solid contractual base to ensure delivery and quality combined with known prices.
- 7.3 The contract has already released £6 million in efficiencies compared with previous arrangements. These have contributed to the savings needed within the housing revenue account (HRA) over the last two years and allowed over £1 million planned works to be done on estates, delivering improvement and preventative maintenance.
- 7.4 The Kier contract in Islington is currently valued at around £16.5m per annum for responsive repairs, voids and adaptations.
- 7.5 The Kier model has a clear justifiable pricing system which has been subject to competitive tendering and formal leaseholder consultation. Leaseholders and tenants were involved in the selection of Kier and the design of the contract. No further consultation with leaseholders would be required if the contract was extended.
- 7.6 Kier offer a substantial discount to the listed schedule of rates prices. The price is increased by RPI every October, to Kier's benefit. Although it is difficult to compare contract prices because of commercial confidentiality, the contract price was achieved at a time when the market was very competitive (just prior to the dissolution of Rok and Connaught).
- 7.7 The pricing framework of the contract is fixed for the entire term including any extensions. Kier is confident that the business as tendered is viable and say they are committed to securing the extension of this contract. It is widely believed that the Islington contract price is very competitive. There was some concern that the contract was not deliverable at such a discount, though Kier are confident that the desired quality and level of work are achievable at this price.
- 7.8 However extending the current contract on unchanged terms is not considered a satisfactory option, and so an extension would be dependent on successful negotiations with Kier about new terms. If agreement could not be reached, Kier are able to terminate their appointment under the contract by giving 12 months' notice.
- 7.9 The changed terms of an extension could include an agreement with Kier to provide additional benefits such as: a customer pledge; performance improvements; implementation of Islington Council's 'ways of working'; removal of the difference between direct labour and subcontracting; and more apprenticeships with continuity of employment.
- 7.10 The negotiation with Kier could also involve the council taking part of the service in-house – for instance, voids, where there are key performance concerns.

- 7.11 The removal of certain parts of the contract, or the imposition of further conditions, would be subject to negotiation with Kier and would likely lead to cost increases.

Contract Retendering

- 7.12 The retender option is in many ways similar to the Kier option - a fixed contract with set operational parameters and competitive tendering to establish prices.
- 7.13 This retender would occur in a contracted market environment after the collapse of maintenance contractors such as Rok, Morrisons and Connaught. The current contract should be deemed a high point in terms of cost savings and is unlikely to be matched in the present market conditions.
- 7.14 Current large tenders seem to be approximately 3-8% above the current Kier price, although data on this is generally patchy and anecdotal given the commercial sensitivity. The short term of the Kier contract, if brought to an end at this stage, would also probably be viewed negatively by the market, pushing prices up (contractors are unlikely to price based on expecting the full term if the Council has recently ended a similar contract early). However if the council were to decide to retender it would be able to select the new contract period. It would not be restricted to the length of the extension (3 years).
- 7.15 The tender process itself would cost up to £1m (based on the cost of procuring the current contract).
- 7.16 Procurement would afford the Council greater scope for enabling a new contract to reflect any current objectives, e.g. more community or employment benefits, or greater deductions for failure. However the imposition of additional obligations and the risk of increased deductions for poor performance is likely to result in higher prices from the market.
- 7.17 The contract benefits should be seen to equal or better the current Kier contract to justify the cost of procurement. It is also entirely possible that Kier would be awarded the new contract, at a higher price than the current contract.
- 7.18 If the retendering option is chosen there is a significant risk that Kier performance will deteriorate for the remainder of the current contract. There is no evidence to suggest other providers could offer significant performance improvements.
- 7.19 Additional issues and costs would be incurred integrating IT systems.
- 7.20 It is theoretically possible that if a very low price is tendered this may be at the cost of service delivery. However, this appears unlikely given the recent failures of building companies. Further the tenders will be evaluated on the basis of quality as well as price. We don't have to accept a bid if the price is at such a level that we don't consider that the service required can be performed at the tendered price.
- 7.21 The procurement of a new contract would have to comply fully with European procurement rules. The full three-stage formal leaseholder consultation would also need to be undertaken.

In-House Service or Direct Labour Organisation (DLO)

- 7.22 An in-house option offers the best protection against further deterioration in the market for providing responsive repairs services. In recent years many councils and other housing providers have been hit hard when major contractors go out of business. Islington itself had a narrow escape when Connaught went out of business shortly before it was due to take up a capital investment contract, and some of our new-build has been delayed by the collapse of Rok.
- 7.23 In this case some or all of the works would be undertaken by a council business unit with specialist or overspill work given to contractors that would need to be procured competitively. It is

estimated that the council would directly deliver approximately one third of the contract, with the remainder contracted out. It is likely that the council will be able to procure most of the contractors and suppliers it requires via existing framework agreements, thereby reducing significantly procurement costs and potentially the costs of the contracted works and supplies.

- 7.24 An in-house service offers a greater focus on resident satisfaction, with particular priority for cases that cause greatest distress for tenants and damage to our reputation, for example, complex cases requiring more than one visit, or long overdue cases.
- 7.25 In the medium-term we could review contractors, seeking to maximise local employment, reducing dependence on sub-contractors and exploring wider benefits using the Social Value Act powers. We would have control over apprenticeships and all workforce development. This would, of course, be subject to overriding procurement rules including European law.
- 7.26 An argument can be made that an in-house service would save the profit element of the repairs contract given to private contractors. However, between the increased overheads of council employment (including the local government pension scheme, better leave and sickness entitlement, etc.) the loss of large scale corporate supply chain discounts and the reduced opportunity to share overheads between contracts, it is not possible to match contractor's rates. The profit element saved is likely to be outweighed by these additional costs.
- 7.27 Materials and subcontracted specialist work would require procurement exercises to be undertaken in order for these to be delivered on a scale that would secure the most economically advantageous position for the council. Given the council's procurement rules and number of procurements needed, the in-house service management would be constantly procuring services and works (it is estimated that at least 12 specialist contracts would be needed from day one, mostly requiring competitive tenders to be sought). Some of these services would be eligible for full European Journal of Procurement tenders. In addition, maintaining a responsive set of suppliers to deal with peaks and troughs in demand would be a considerable challenge within existing procurement controls.
- 7.28 The current DLO operating as the Estate Maintenance Team charges suggest that costs could increase by about £3m per annum. This would increase the prices recharged to leaseholders. As most of the repairs service is statutory and funded from the Housing Revenue Account, compensating savings may need to be identified to maintain the HRA balanced budget.
- 7.29 However if the council utilises existing frameworks and places direct orders (e.g. for supplies and subcontractors) or conducts mini competitions, the overhead cost of procurement should be considerably reduced and the sub contractor prices obtained pursuant to the framework agreements should be more competitive. This should offset to some extent the estimated increase of at least £3m, but there will need to be sufficient contingency in the Housing Revenue Account to cope with the worst case. It should also be remembered that the review process found little support for an unaltered contract with Kier. While the comparative cost of varying the existing contract cannot be accurately estimated as it is entirely subject to negotiation with Kier, it does mean that the £3m figure is greater than a net figure for the purposes of an options appraisal.
- 7.30 The in-house service offers direct control over the priorities and behaviours of the repairs service. However the cost of apprenticeships, social responsibility initiatives and similar programmes would be entirely borne by the council in addition to works costs. Currently these costs are contained within the works costs paid to Kier.
- 7.31 As with the retendering option above, an in-house service would have to contend with Kier having prior knowledge of their ceasing to be the service provider and this is likely to result in the in-house service commencing with a significant backlog of repairs. In addition Kier would have the opportunity to move their best performing staff away from Islington to other contracts and bring in staff from other contracts in the period up to 6 months before expiry of the current contract.

- 7.32 The risk of costs increasing above the initial level with an in-house service is considerable. With a contractor, the council pay the contractually-agreed price. If elements of the contract price are uneconomic or become so, any additional cost is loss that has to be borne by the contractor. An in-house service would have to bear the true costs, even if these rise.
- 7.33 Given that the organisation would ensure customer care is a priority over cost and profit, it should improve, though this is not guaranteed. The transition would almost certain mean the new service starting from a lower base. The council would need an exceptionally good forecasting and monitoring system and tight budget controls to ensure the service is delivered on budget. Evidence is seen of this in the Estate Maintenance Team, which actively takes a wider view of what repairs are needed - but overspends.
- 7.34 Leaseholder consultation would be required for all works in excess of £250 per leaseholder or £100 in the case of agreements lasting more than one year because the requirement would not have been fulfilled as part of a wider procurement process. This would mean an increase in the cost and number of leaseholder consultations, although the nature of the contract means that most of the works are for tenants only.
- 7.35 The in-house service could be set up as an arm's length management company and possibly consider trying to attract work from other areas of the council and other councils and public bodies. However the "Repair ALMO" would have to bid for work from other councils competitively. As a smaller company with no track record in delivering repairs, it is very unlikely to be successful. Without additional work there would be no economies of scale resulting in lower unit cost of repairs. This option would also add additional layers of cost and time in setting up the new company. Much of the savings from bringing Homes for Islington back in house in terms of governance and management would need to be reinstated.
- 7.36 The additional costs and volumes of work involved in the in-house option could have a significant impact on the capacity of the council.

Shared Service

- 7.37 There are an increasing number of examples of local authorities working with neighbouring boroughs to provide joint services. Repairs services could be provided by a local authority DLO in existence (e.g. Camden) under a contract. However, the council cannot award such work to another local authority's DLO without undertaking a procurement exercise and with no guarantee that the other local authority's DLO would be successful.
- 7.38 Potentially the shared service model offers some of the benefits of the contracted model and some of the benefits of the DLO model. While retaining the contractual parameters and costing of tendered services, there are the benefits of engaging with not-for-profit businesses and having a greater level of control over the aims and objectives of the repairs service.
- 7.39 Some of the risks of learning how to run a DLO would be mitigated as the shared service provider would already have experience.
- 7.40 There would be a risk to the control of the service and the setting of priorities in times of pressure.
- 7.41 The fundamental risk is the procurement issue. If the shared service were not co-owned at inception through for instance a company jointly owned by the two (or more) local authorities, a competitive procurement would have to be undertaken in accordance with the European procurement regulations. In addition any supply chain tenders set out by the original shared service may need to be retendered.
- 7.42 The process would be subject to full leaseholder consultation as with any major tender.

- 7.43 Some of the potential risks above could be mitigated if a new shared service arrangement was set up. The leaseholder consultation and procurement implications of this would need to be fully explored.
- 7.44 Of the four original options under consideration, only two are really viable: an extended contract with conditions (subject to negotiation) or the in-house option.
- 7.45 Re-tendering the service or sharing the service would be subject to an expensive procurement process. The risk of market deterioration would remain. Kier's current price would be hard to match and there is no evidence performance improvement would follow.
- 7.46 The Housing Executive and other evidence suggest it would not be acceptable to our customers to extend the Kier contract without taking the opportunity to improve it. This would be subject to negotiation with Kier. It is likely to carry an additional cost, and carries the risk that Kier would decide to end the contract at a time that is not under the Council's control.

8. Implications

8.1 Legal Implications

- 8.1.1 The council's responsive repairs contract with Kier commenced on 30 October 2010 and is for an initial period of 4 years. It contains a provision enabling the council, at its option, to extend the contract period for up to three years on two occasions subject to satisfactory performance against KPIs and performance indicators and a satisfactory benchmarking exercise.
- 8.1.2 In deciding whether or not to extend the contract (and, if so, the period of that extension) the council must, as always, act in accordance with principles of administrative law. Those principles require the Executive to reach a reasonable decision which requires that the decision is taken in good faith and is not so unreasonable that no reasonable authority could have reached it. All factors relevant to the decision must be taken into account and irrelevant factors disregarded. In reaching its decision, the Executive should weigh up and balance carefully both the factors in favour of an extension and those against such extension and in favour of an alternative option as set out in the report.
- 8.1.3 The Executive must be satisfied that the decision it reaches enables it to comply with the council's general duty to secure best value. That duty requires the council to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (section 3(1) Local Government Act 1999). For the purpose of deciding how to fulfil that duty, the Council must consult representatives of council taxpayers, non domestic ratepayers, service users and persons appearing to have an interest in Islington (section 3(2) of the 1999 Act).
- 8.1.4 Following the decision in case of R on the application of M Nash and Barnet Council and Capita (29 April 2013), it is clear that, in the context of best value, a duty to consult arises when high level choices are being made concerning the approach to the performance of an authority's functions. The Barnet case concerned a major outsourcing programme but the principle enunciated in that case regarding best value consultation would apply equally to a decision to in source a major service currently outsourced such as the Council's housing repairs service.
- 8.1.5 The users of the repairs service currently provided by Kier are mainly the Council's housing tenants and leaseholders in respect of repairs to common parts. Their elected representatives on the Housing Executive were afforded the opportunity to express their views on whether the Kier contract should be extended at a meeting of the Housing Executive on 15 June 2013. The views of the Housing Executive, summarised in paragraph 5.6 of the report and more fully in Appendix 2, should be taken into account by the Executive in reaching its decision on whether to extend the Kier contract and if not, any decision to bring the repairs service in house.

- 8.1.6 A decision to extend the Kier contract should only be taken if, amongst other matters, the Executive are reasonably satisfied that Kier has achieved satisfactory performance against KPIs and performance indicators and that the outcome of the benchmarking exercise is satisfactory. The Executive must be satisfied that a decision to extend is consistent with the council's fiduciary duty to its tenants and leaseholders and that the contract rates continue to represent value for money for the council in comparison to the other available options.
- 8.1.7 If the Executive were minded not to extend the contract, then it must carefully consider the other available options set out in the report. In particular, before agreeing that the repair service should be brought back in house, the Executive should be reasonably satisfied that competitive re-tendering would be unlikely to result in better value for money for the council.

8.2 Financial Implications

- 8.2.1 The contract with Kier that covers responsive repairs, works to re-let empty properties, and the installation of adaptations for residents with mobility needs is budgeted to cost £16.5m in the financial year 2013-2014. It is estimated that £13.3m of the costs will be charged to the Housing Revenue Account (HRA) and the remaining £3.2m will be charged to the capital programme. These figures form the budgets in the Medium Term Financial Strategy (MTFS).
- 8.2.2 Re-tendering the contract – after the initial one-off cost of up to £1m - offers the possibility of further savings. However the bleak economic outlook, the volatility of the building market, and the financial standing of other companies raises doubt about whether the current competitive Kier contract prices would be matched.
- 8.2.3 Under the Public Contracts Regulations 2006 the council must treat all economic operators equally and in a non-discriminatory way. As a public body the Council must act transparently and would be subject to the advertising a Contract Notice in the Official Journal of the European Union (OJEU) for any re-procurement, inviting expressions of interest from across Europe to apply to be considered to deliver the services.
- 8.2.4 The option of bringing the service in-house could increase the cost by an estimated £3.9m a year of which an estimated £3.4m would be charged to the HRA and £0.5m to the capital programme. It will be necessary to minimise the additional costs, as set out in paragraph 7.29 and seek service improvements to ensure best value for money is obtained from insourcing. Additionally, compensating savings may need to be identified to maintain the HRA balanced budget.
- 8.2.5 There would also be extra one-off setting up costs in the region of £2m. One-off costs would include negotiating a series of sub-contracts; acquiring vehicles, plant and equipment and their storage; and developing and implementing IT systems to deliver the jobs. These costs would be financed by a one off call on the HRA's balances and contingencies.
- 8.2.6 Financially, the option of extending the contract until November 2017 carries the least risk. The schedule of rates gives us certainty about the costs and provides confidence regarding value for money. A contract extension would be subject to conditions, and these would almost certainly come at an additional cost
- 8.2.7 In spite of the potential short-to-medium term cost disadvantage of the in-house option, in the long-term it could be to the Council's financial advantage. A well organised and well managed in-house service could provide better value for money and could reduce the financial risk of volatility in the market – there could be more certainty on the costs to be charged to the Council.

8.3 Equalities Implications

- 8.3.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the

need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

8.3.2 Repairs and maintenance is a key service provided to Council tenants and leaseholders. Adaptations for physically disabled residents are part of this service. The existing service was impact assessed at the time the existing contract was let in November 2010. We will undertake a new equalities impact assessment (EIA) when the decision on whether or not to extend the contract is known. If the decision is to extend the contract on the current terms, there may be no change to the existing EIA. If the decision is to extend the contract but to negotiate better terms, or to take the service back in house, the EIA will need to be undertaken when it is clear what the provisions of the new service will be.

8.4 Environmental Implications

8.4.1 Environmental issues pertaining to the current contract are laid out at in paragraphs 6.4 to 6.6 and these would continue to apply should the decision be to extend the contract on the current terms. If the decision is to extend the contract but to negotiate better terms, or to take the service back in house, there will be a need to reassess the environmental implications based on how the new service will be delivered in terms of: supply of materials, methods of working, vehicle fleet, procurement of contracts and disposal of waste. This reassessment should be undertaken when it is clear what the provisions of the new service will be.

9. Conclusion

- 9.1 Of the four original options considered in the review, the only acceptable ones are an extension of the existing Kier contract incorporating agreed amendments, at a currently unknown cost because of the negotiations required, or an in-house option supported by Council contracts and suppliers.
- 9.2 The continuation of the Kier contract subject to improvements potentially offers continued financial benefits. This is currently at the cost of a less than optimal service. An altered extended contract carries the risk of increased costs, subject to negotiation, as well as the risk that Kier would prefer to end the contract. This option does allow the Council to offer residents a full service along with additional benefits at a good price.
- 9.3 The in-house option carries potential short-to-medium term cost disadvantage, but in the longer run could be to the Council's advantage. It also carries the risk of the service declining during a difficult transition. A well organised and well managed in-house service would provide better value for money and could reduce the financial risk of volatility in the market.

Appendix 1: Performance Figures 2012-2013

Appendix 2: Summary of Housing Executive discussion 13 June 2013

Final report clearance:



Signed by: Executive Member for Housing and Development

Date: 26 June 2013

Received by: **Head of Democratic Services**

Date:

Report Author: Sean Mclaughlin – Corporate Director of Housing and Adult Social Services

Tel: 020 7527 8178

Email: sean.mclaughlin@islington.gov.uk