



RECORD OF CABINET PORTFOLIO HOLDER DECISION

1. Decision Reference No.	PH058
2. Decision made by	Portfolio Holder for Council Homes and Landlord Services
3. Name and job title of Officer requesting the decision	Chris Flannery Housing Asset Manager cflannery@melton.gov.uk
4. Title / Subject Matter:	Repairs and Maintenance Contract Variation - rates uplift
5. Type of Decision:	Public
6. Key Decision?	Yes
7. Decision Taken:	<ol style="list-style-type: none">1. To authorise the uplift in rates as outlined in the report and approve a variation to the existing repairs and maintenance contract2. To delegate authority to the Housing Asset Manager to agree and finalise any legal documentation in consultation with legal services
8. Reasons for Decision:	<p>The current repair and maintenance contract includes the ability to agree an uplift in contract rates at the end of the third year; in this case August 2021. The contract states that the uplift should be linked to CPI of January of that year which is 0.7% for January 2021.</p> <p>An initial review meeting was held with the contractor in August 2021. They outlined that the current financial climate had resulted in increased material and labour costs far in excess of normal levels. Specifically:</p> <ul style="list-style-type: none">• Huge increases seen in material supply chain since 2020, on average 26-40% higher within 12 months.• Brexit – impacts on materials in terms of increased taxes and transport, reduction in European works – 8% of workforce – due to visa requirements.

- Increase in benchmark salary rates – industry trade shortage – increased T&Cs as competition on new build and major construction sites in the region we recruit. Axis have increased benchmark salary from £25k to £32k in the past 18 months
- Increase in T&Cs meaning 3 days extra holiday granted for all staff in line with industry standards
- Increase in waste costs of 7% in last 6 months alone.
- Increases in fuel and vehicle costs nationwide – fuel 38% higher with highest rates since 2013
- All of these factors have impacted on their wider supply chain so subcontractor rates have increased by the same margin – they are paying contractors 7% more than 12 months ago and they require a further uplift.

As a result, an increase in rates of 13.2% was requested. Officers have informally approached other authorities regarding contractor uplifts and have found that many are requesting between 10% and 15% increases.

During November 2021 the performance on void property turnaround dropped as a result of the contractors inability to attract sub-contractors to complete certain elements of work. To allow the Council to maintain void turnaround times the contractor withdrew from taking on major voids and concentrated efforts on smaller voids. The smaller voids have continued to be completed within the timescales agreed and performance has been good. However, the major voids have to be completed by other contractors and individually procured. This means that Council Officers have to invest additional time and resource into the void process.

Following a review of the contractors proposed uplift by Legal Services and Welland Procurement, a further meeting was held with the Contractor. There was agreed recognition that some areas of the contract could be improved or enhanced to offer the Council increased value for money and performance. The proposed changes are:

- Commitment to ensure that the BARIS / Northgate interface is implemented and provides cost savings and better data share – the interface ensures the appointment is booked at first point of contact for the resident. This is to be implemented alongside the Council's Northgate Project Phase 4 and in place by April 2022.
- Immediate involvement of the contractors customer care team to assist with engagement with resident groups.
- Explore options around building a resident portal to enable online order raising and appointment booking alongside appointment within six months of the uplift being implemented
- Explore options to move to a CRM based system Microsoft Dynamics.
- Commitment to review costings at a minimum of 6 months and agree to decrease if possible or increase scope of works.
- Commitment from the Council to use unutilised areas of the current contract, such as cyclical external decorations. This will give the ability to develop a cyclical painting programme within the existing revenue budget, enhancing and maintaining our assets.
- Immediate commitment from the contractor to enhance the range of contractors on the contract – this would mitigate risk and allow for management of peaks and troughs.
- Review void and repair KPIs to agree revised targets which can be formally implemented in the contract. This would then allow the Council to monitor the targets to determine if the contractor has improved overall performance.
- Immediate re-visiting of the social value element of the contract to ascertain where support can be given to projects which benefit the wider community.

A 13.2% uplift would represent an increase in cost to the Council of around £138,000 per annum.

In conclusion, the proposed uplift will allow the contractor to attract the right resources to deliver the requirements of the contract and meet the financial challenges faced in the last two years. Their commitment to increase the sub-contractors working on the contract will allow them to manage peaks and troughs in the workload in a more robust way. Combined with the agreed changes, this will result in an overall increase in performance and delivery across the repair and void service.

There is a recognition from both parties that the increased costs faced at present may be a temporary spike, which is why it is important to note the inclusion of a six-month review. This will allow any savings made to be passed back to the Council if appropriate. There will also be the opportunity to reflect on the increased turnover provided by included additional work such as external decoration.

9. Authority / Legal Power:

Legal – See below

10. Background Papers attached?

No

11. Alternative options available / rejected:

1. To reject the proposed uplift and implement the contract uplift of 0.7%. This was discounted as the risk to the delivery of the repair and void service is high. Staff resource would become strained as a result. There is a further risk that the contractor would not be able to continue to deliver the contract and a re-procurement would be required, taking a minimum of twelve months to complete.

12. Implications:

<p>Legal</p>	<p>The Council has the power to enter into contracts in order discharge its functions (Local Government Act 1972, s111 and the Local Government (contract) Act 1997, s1).</p> <p>The contract fixes the rates for the first 3 years. The contract permits CPI to be used as an uplift after year 3 basing the figure on the previous year. From a strictly contractual perspective, there is no other provision for an uplift unless both parties are in agreement.</p> <p>The decision record highlights the reasons why a variation is being sought.</p> <p>Legal Approval date 09/02/2022</p>
<p>Finance</p>	<p>The additional amount for Aug 21 to Mar 22 is estimated at £98k, which can be accommodated within the expected underspends on the repairs service. An uplift for 2022-23 of 10% was used for the budget on Schedule of Rates works only amounting to £43k, so this will require additional funding from the Regeneration and Development Reserve for the final remaining amount. A carry forward from the 2021-22 underspend could also be considered for £95k.</p> <p>Finance Approval date 09/02/2022</p>
<p>HR</p>	<p>N/a</p>
<p>Procurement</p>	<p>The variation does not constitute a material change to the contract; however it must have a Modification Notice published on Find a Tender Service.</p> <p>Comment by Welland Procurement 08/02/2022</p>
<p>Other</p>	<p>N/a</p>

13. Signature of Officer with authority to sign :

Email approval received
Michelle Howard
Director for Housing & Communities

14. Officer Responsible for Procurement

I confirm compliance with the Contract Procedure Rules
Chris Flannery
Housing Asset Manager

Call In Waived by Scrutiny Committee Chair?

No

Has this been discussed by Cabinet Members?

No

Cabinet Portfolio Holder Signature	Email approval received Councillor Ronan Browne Portfolio Holder for Council Homes and Landlord Services 10/02/2022
Declarations/conflict of interest?	None

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