

 WARWICK DISTRICT COUNCIL	FINANCE & AUDIT SCRUTINY COMMITTEE 4TH NOVEMBER 2014	Agenda Item No. 4
Title	Review of Housing & Property Services Contracts Register	
For further information about this report please contact	Andy Thompson Head of Housing & Property Services Tel: 01926 456403 Or Mike Snow Head of Finance Tel: 01926 456800	
Wards of the District directly affected	N/A	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number		
Background Papers		

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	No
Equality Impact Assessment Undertaken	No

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	16/10/14	Chris Elliott
Head of Service	16/10/14	Andy Thompson
CMT	16/10/14	
Section 151 Officer	16/10/14	Mike Snow
Monitoring Officer	16/10/14	Andy Jones
Finance	16/10/14	Sue Simmonds
Portfolio Holder(s)	23/10/14	Norman Vincett Stephen Cross
Consultation & Community Engagement		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report.		
Final Decision?	Yes	
Suggested next steps (if not final decision please set out below)		

1. **Summary**

- 1.1 This report sets out the process for the review by Finance & Audit Scrutiny Committee of the Housing and Property Services Contracts Register.

2. **Recommendation**

- 2.1 That Finance & Audit Scrutiny Committee should review the Housing and Property Services Contracts Register attached at Appendix 1 and make observations on it as appropriate.

3. **Reasons for the Recommendation**

- 3.1 The Housing and Property Services Contract Register is presented as Appendix 1 for members to consider as part of their role in promoting good procurement practice.

4. **Policy Framework**

- 4.1 **Policy Framework** – Under the Council’s Code of Procurement Practice, details of all contracts for the supply of goods, services and supplies should be held on the Council’s central Contracts Register. The Code also states the tender process to be used by officers when procuring goods and services.
- 4.2 **Fit for the Future** – By following the Council’s Code of Procurement Practice in procuring goods, services and supplies, officers will be contributing to the Council’s vision, and key policy priorities included within the Sustainable Community Strategy. The following specific benefits should arise:-
- The Council will be sure it is obtaining value for money from its expenditure, in the provision of all its services for local council tax payers.
 - Opportunities will be given to local employers to tender for Council contracts, thus contributing to the Prosperity Agenda.
 - It will be demonstrable that the Council, and officers, are operating fairly, in an open and transparent manner.

5. **Budgetary Framework**

- 5.1 There are no direct budgetary implications arising from this report. All of the Council’s expenditure should be made in accordance with the requirements of the Council’s Code of Procurement Practice. This should help the Council to ensure that it achieves value for money from its expenditure through the correct tendering of contracts, and the subsequent management of those contracts.

6. **Risks**

- 6.1 It is important that all procurement across the Council complies with the relevant procurement regulations and directives and also the Council’s Code of Procurement Practice. By following this approach the Council will reduce the risk of challenge.
- 6.2 Contract Management is an important element of procurement. Contracts need to be properly managed to ensure compliance with the contract, whilst considering all relevant aspect that may affect the performance of the contract. Also, it is important that contract managers pro-actively plan ahead to ensure the procurement of future contracts is properly managed.

7. Alternative Option(s) considered

7.1 This report is not concerned with recommending a particular option in preference to others so this section is not applicable.

8. Background

8.1 The Terms of Reference for the Finance and Audit Scrutiny include "Promote value for money and good procurement practice". This is a role that the Committee has actively pursued. In carrying out this role the Committee appointed three of its members to act as Procurement Champions to assist and advise the Procurement Manager. Partly as a result of these actions, the status and knowledge of procurement has increased substantially across the organisation in recent years.

8.2 In March 2014, the Committee considered the Executive report "Housing and Property Services: Contracts Update". This report highlighted failings in the procurement processes within that Service and across the Council. The Committee expressed disappointment to have to consider such a report. A separate report that is to be presented to the Executive November 5th, 2014 details progress in the actions coming out of that report.

8.3 In considering the March report, the Finance and Audit Scrutiny Committee requested that it review each departmental Contracts Register in turn. These reviews were intended to follow the approach used to review the Risk Register, whereby the relevant Portfolio Holder and Head of Service are available to answer the Committee's questions.

8.4 The March report did highlight that the Council's corporate Contracts Register was incomplete. Since then, the Procurement Team have been working actively with heads of service to ensure that all contracts, and details relating to them, are included within the Register. This work is nearing completion.

9. Housing and Property Services Contract Register

9.1 The latest version of the Housing and Property Services elements of the Corporate Contracts Register (H&PSCR) is set out as Appendix 1.

9.2 General Contract Management

9.2.1 As can be seen from the H&PSCR, Housing and Property Services manages a variety of different contract types and service delivery arrangements. Responsibility for day-to-day management is delegated to the officer with direct responsibility for the service area served by the contract. The detailed management of each contract depends upon the contractual terms in place and the service being provided. These have been grouped into three broad categories and are considered in greater detail below. However, for all contracts the following policy and practice is now in place for all officers with responsibility for contracts:

- Recorded monthly monitoring of budgets by Service Managers, which includes a review of expenditure on all contracts
- The Contracts Register is regularly updated to record information about the management and procurement of contracts, and is formally reviewed quarterly by the Housing and Property Services Management Team

- Performance monitoring against the required outcomes and outputs of contracts is continuously undertaken by Service Managers, who have authority to take immediate remedial issue, including the use of default notice or the imposition of financial penalties, where necessary to remedy poor performance.

9.2.2 All contracts are now being risk assessed by the Housing and Property Services management team with particular reference to:

- Risk of contractor failure
- Inadequate service provision
- Fraud
- Reputational impact
- Overcharging

The result of this assessment will be included in the Contracts Register, with effect from January 2015

9.3 Open Book Contract Management

9.3.1 This type of contract requires the Council and the contractor to agree on which costs, including variously labour, materials and agreed overheads, are remunerable and the margin for profit that the contractor can add to these costs. It is in effect a variation of the Cost Plus¹ model of contract. An additional bonus payment can be paid in return for efficiency gains or the contractor achieving certain service standards. The contractor is required to share with the Council its accounts for the works and services provided allowing the Council the opportunity to subject these accounts to analysis and either agree or disagree with the Contractor on the remunerable costs, related profit margin and any additional payments

9.3.2 Open book contracts are currently used by Housing and Property Services for the following services:

Service	Contractor
Kitchen & bathroom replacements and repairs	Lovell's
Planned maintenance for window and door replacement	Lovell's
General housing repairs & voids	Ian Williams
Gas Servicing (housing)	D&K Heating
Internal & external decorating	Ian Williams

9.3.3 Responsibility for determining the detailed work to be provided rests with the contractor working to a service or works standard set by the Council. This means that the Council relies upon the integrity of the contractor to only undertake those works that are necessary to meet the standard rather than specifying in advance the precise nature of the work or service to be delivered. The Council manages the quantity and quality of work by:

- Each contract is subject to a monthly valuation either by interrogating the Council's repairs management system or by means of a submission by the contractor. The Council's Contract Administrators assess the valuation to make sure that works claimed for have been undertaken and the costs are fair, reasonable and in line with the contract documentation. Unusually high

¹ Cost Plus – the contractor is paid for all of its allowed expenses, sometimes up to a set limit depending on the precise terms of the contract, plus an additional payment to allow for a profit.

and low costs are returned to the contractor for explanation and substantiation. No payments are paid until the variations are agreed.

- Currently constrained resources militate against a full programme of post inspections for day-to-day repairs but subject to completion of the proposed Re-design of the Asset Management Service, this will recommence in 2015.
- Planned works are inspected and supervised by the Council's Clerk of Works.

9.3.4 Our experiences of this way of working since the open book contracts began in April 2013 suggest that there may models that could be better suited to the needs of the Council, when considering value for money across both the works and the administration of the service. The Housing and Property services team over the remainder of the current financial year are therefore exploring and assessing options to improve the way these services are delivered.

9.3.5 The Council has had to employ an external cost consultancy to support the financial management of the majority of these contracts due to the complexity of the contracts. This is because the Council, to ensure value for money, has to reconcile the cost claimed by the contractor with the works delivered. This work is resource intensive and the Council does not have in-house either the capacity or the capability to do this work.

9.3.6 Differences have been highlighted for the first year – 2012-2013 - between the Council's assessment of which costs should have been incurred, based on the works undertaken by the contractor, and the account submitted for payment. Reconciliation has therefore been prolonged and resource intensive for both the Council and the contractor. This process has been additionally delayed by the hiatus in the process caused by the temporary embargo placed earlier in 2014 upon the use of the Council's chosen cost consultancy. Final reconciliation of the open book contracts is now expected to be complete by November 21st, 2014.

9.4 Traditional Contract Management (including Measured Term Contracts)

9.4.1 This type of contract requires the contractor to agree in advance of delivery the price for the works or service to be provided. The Council sets the standard against which such pricing should be determined. The contractor's price is usually non-negotiable after the contract has been agreed and formalised, meaning that the risk of rising costs and any delivery inefficiencies rests with the contractor. Conversely, if the contractor is able to reduce costs and improve efficiency during the lifetime of the contract, the benefits accrue solely to them. This approach is often used alongside a Schedule of Rates in which the contractor gives a series of prices for a wide range of activities, the Council deciding at any given time which of those activities it wants delivered.

9.4.2 Traditional contracts are currently used by Housing and Property Services for the following services:

Service	Contractor
Repair and maintenance of the crematorium equipment at Oakley Wood.	Facultative Technologies
WDC tenants contents insurance	AON
The energy supply to WDC buildings and other installations requiring electrical power	Southern Electric (trading name of Scottish & Southern Energy) (ESPO 191/b)
Electrical repairs to all WDC corporate & housing buildings	EM&I
Electronic procedure manual: resource tool for case law etc....	Destin Solutions Ltd
Liquefied fuel supply to the Jubilee House, Kenilworth	Pace Fuel Care (ESPO 301) (Certas Energy)
Gas supply to WDC buildings and other sites requiring gas.	ESPO Energy using Total Gas and Power (ESPO 191/a)
The maintenance of the HRA Door Entry & Fire Alarm system to WDC housing properties	Baydale
All minor repairs to corporate buildings. E.g. roads, fences, concreting, paths	RJ Harwell;G McVeigh&Co, Allworks
The regular maintenance of fire extinguishers and other fire fighting/prevention equipment in corporate properties	Phoenix Fire Services Ltd
This provision is at the sheltered accommodation	Cirrus
This is for the service and maintenance of the telecare control desk at Acorn Court	Tunstall (Call off Northern Housing Consortium)
Mobile phones and devices	O2
Roofing replacement & repair	G Purchase
General corporate repairs	Piners
Lift Repair & maintenance	Foster & Cross
Fire alarm service & maintenance	Fire & Safety Services
Intruder Alarm service & maintenance	Close Circuit Security Services
Air conditioning Service & maintenance	D&K Heating
Water Management inc Legionella testing	Hertel
Lightning Protection	Horizon
Mobile platform for telecare	Jontek
4. Building Cleaning	Ocean Contract Cleaning
Gas repairs to WDC properties & corporate buildings	Renuvo

Replacement of Rural Footway Lighting Columns and Lanterns including Maintenance and Reactive Repairs	Hi Lite
A Scheme to assist Council tenants to exchange decoration vouchers for decorating materials only. To be used within WDC properties.	PPG Architectural Coatings UK Ltd
Design , Supply and Install Biomass Boiler at Tannery Court, Kenilworth	Treco Limited
To provide court desk and debt advice	Coventry Law Centre
To provide a homeless prevention service.	Bromford
ActiveH	MIS
Provision of Rural Housing Enabler Services	Warwickshire Rural Community Council
Cost Manager Consultant	Impartlinks
Court Desk and Financial Health Check Service for the Warwick District Council	The Law Society
Supported Living	Baydale

9.4.3 Responsibility for determining the detailed work or service to be provided rests with the Council calling upon the contractor to deliver in accordance with the specification and to the agreed price. The Council manages the quantity and quality of traditional contracts by

- Checking the contractor's application for payment against the works or services ordered and provided, this being overseen by a Contract Administrator or directly by the budget holder.
- The quantity and type of work ordered is determined by the Council, either by pre-ordering (for examples repairs to equipment) or by the use of services (for example, gas supply).

9.4.4 Financial management of fixed price contracts by Housing and Property Services is a straightforward process. The contractor submits an invoice for the works delivered which is then validated by the ordering officer against the order and evidence of the works or services received. The primary duty of the officer is to make sure that there is no discrepancy between the detailed order, the relevant invoice and the outcome of post works inspections where these are deemed necessary.

9.5 Informal and Historic Agreements and Arrangements

9.5.1 Housing and Property Services has a number of informal and historic agreements and arrangements to provide services. These are generally of low value but never the less are now being subject to review with the intention of either re-procuring the service or in isolated instances where the number of potential suppliers or the value of the works would make re-procurement

uneconomic to pursue, formalising the arrangements either through formal contracts or Service Level Agreements.

9.5.2 This is to:

- Secure consistency across the service of how external providers are managed
- Make sure that both service providers and the Council have clear expectations of what is required of them
- Reduce the risk of overpayment and fraud
- Secure value for money

9.5.3 Informal and historic agreements and arrangements are currently in place for the following services:

Service	Provider
Temporary Accommodation	Judith Chandler
Independent body fused to assist with homeless medical assessments and appeals	Now Medical
Provision of emergency accommodation for the homeless department	Pandy Nijjar
Emergency homeless accommodation	Salvation Army
Young parents accommodation	Chapter One
Young persons' emergency homeless accommodation	Chapter One
Contribution towards domestic abuse services	Women's Aid
Right To Buy valuations	Godfrey Payton
Right to buy structural surveys	R W Hancock

9.5.4 Management of these arrangements varies depending on the service provided, with greater detail to be found in Appendix A.

9.6 Procurement

9.6.1 Housing and Property Services in October 2014 put in place a Priority Action Plan covering the period 2014-2017. This brings together the Council's commitments and obligations as laid down in the Housing Strategy, the Housing Health Check, the internal Service Review conducted in autumn 2014 by the Housing and Property Services management team and the development of the Contract Register. The plan details what is to be done each year, including forthcoming procurement requirements arising from the expiration or review of existing contracts.

9.6.2 All Housing and Property Services procurement is undertaken in partnership with the Council's Procurement Team, with multi-skilled task-and-finish project groups established for medium and high risk services. Such groups allow for a range of skills to be brought to bear on a particular service area. They encourage critical analysis of the future service design to reflect client expectations and experiences and so shape the services to be secured and the way in which those services could be provided. One current example is that of cleaning services on municipal housing estates and in certain corporate buildings.

9.7 Priority Areas

9.7.1 The three priority Contract Register areas for Housing and Property services are:

- Reconciliation of existing open book accounts followed by a review of the repairs and maintenance contracts, detailed above in section 9.3. This work is to be completed by March 2015 and is being undertaken to address the following concerns:
 - Enhancing the Council's control over costs by better managing responsive repairs in tandem with planned and cyclical works programmes
 - Enhancing the Council's control over the maintenance and repair of the municipal housing stock by making sure that works are those required and contribute to long term utility of the housing stock
 - Developing and maintaining a real-time continuous Stock Condition Survey through understanding at first hand the condition of the stock
 - Simplify the management and administration of the contract to reduce the resources needed for this work and reduce the risk of error in payments and accounts.
- Secure formalised consistency and clarity across the various contracts and agreements in place to deliver the services provided by Lifeline and associated tenancy support activity in the Council's sheltered housing schemes. This work is to be completed by March 2016 and is being undertaken to address the following concerns:
 - Inconsistent levels of service
 - Simplify the management and administration of Lifeline and tenancy support services to reduce the resources needed for this work in the Council's sheltered schemes
- Secure formalised consistency and clarity across the various contracts and agreements in place to deliver services to homeless and other households in need of accommodation. This work is to be completed by March 2016 and is being undertaken to address the following concerns:
 - Simplify the management and administration of the services needed for this work
 - Make sure that the type and volume of temporary accommodation is suitable and meets the needs of households in need of temporary accommodation and minimises the need to use 'bed and breakfast' type accommodation
 - Make sure that the way temporary accommodation is provided is value for money and wherever practicable and reasonable generates income for the Council to offset against costs