



DERBY CITY COUNCIL

**COUNCIL CABINET**  
**14 JUNE 2005**

Report of the Director of Policy

## **Market Testing Housing Responsive Maintenance Work**

### **RECOMMENDATIONS**

- 1.1 To approve the Derby Homes Board recommendation that Derby Homes proceeds to market test housing responsive maintenance work.
- 1.2 To ask the Director of Policy to make sure that, in accordance with the Management Agreement, Derby Homes liaises and consults with the Council, particularly on legal and personnel issues, throughout the process outlined in the timetable at Appendix 2.
- 1.3 To refer the report to the Community Regeneration Commission.

### **REASONS FOR RECOMMENDATIONS**

- 2.1 Derby Homes Board, at its meeting on 27 January 2005, recommended to the Council that it adopt Derby Homes strategy for market testing responsive maintenance work.
- 2.2 Following provisional consultation with a number of national organisations in March 2005, it has become evident that there would be interest from several of these organisations in tendering for responsive maintenance work in Derby. This was not thought to be the case when the Council and Derby Homes approved a negotiated contract with the current contractor in 2004.

### **SUPPORTING INFORMATION**

- 3.1 Derby Homes Board, at its meeting on 29 April 2004, agreed to negotiate a responsive maintenance contract with its current contractor, the Council's Commercial Services Department – CSD – for up to four years. This course of action was approved by Council Cabinet on 18 May 2004.
- 3.2 The main reasons for this were:
  - when this work was last tendered in 1998, the city was divided into four areas and CSD was the only tenderer in all four areas. There was one other tenderer for two areas of the city
  - CSD was the only tenderer for a recent similar contract advertised by the Council for non-housing repairs

- CSD performance is generally good, for example, in terms of performance indicators, it has been in top quartile of ALMOs
  - the opportunity to improve customer service and to involve tenants in this process.
- 3.3 As a result, the contract was extended in August 2004, then to be extended on an annual basis, depending on performance and the requirements of the service. Since then much progress has been made, with a Core Group created to push forward a range of new working practices to help achieve improved value for money.
- 3.4 However, over the past few months, Derby Homes has become increasingly concerned about information received from other ALMOs, that the Audit Commission were requiring responsive maintenance contracts to be subject to market testing. They indicated that failure to do this would result in a lower score from any inspection. As a result, discussions were held with the Audit Commission, culminating in a meeting on 23 December with the Lead Housing Inspector for the Midlands Region and the Lead Housing Inspector for Value for Money.
- 3.5 The meeting confirmed the view of the Audit Commission that there was a need to subject the responsive maintenance contract to market testing. The Commission state that they are not requiring Derby Homes to put the contract out to tender, but that it must show it is achieving value for money. A letter has recently been received from the ODPM on this issue, stating that each case will be treated on its own merits and that there is not a single way of demonstrating value for money.
- 3.6 A timetable for a process of market testing, leading to a competitive tendering exercise, is set out in Appendix 2.
- 3.7 The aim will be to appoint the successful contractor(s) by April 2006, with a start date to be agreed, either from October 2006 or April 2007, dependent on the market consultation and the decision made. The contract would be for a five-year period.
- 3.8 Once a new contract is in place, the opportunity could be taken to explore new options for packaging responsive maintenance work together with other work, such as planned maintenance and adaptations, and to seek other partner housing organisations who may be interested in joining Derby Homes in a consortium for the procurement of this work.

## OTHER OPTIONS CONSIDERED

4. Communications with both the Audit Commission and the Office of the Deputy Prime Minister have convinced Derby Homes that the recommendation to market test the responsive maintenance work is the only sensible option to consider.

<p><b>For more information contact:</b></p> <p><b>Background papers:</b></p> <p><b>List of appendices:</b></p>	<p>Mark Hillary 01332 255189 e-mail <a href="mailto:mark.hillary@derby.gov.uk">mark.hillary@derby.gov.uk</a></p> <p>Derby Homes Board Report 27 January 2005.</p> <p>Derby Homes – Homes Pride and Service Improvement Committee Report 25 March 2004.</p> <p>Appendix 1 – Implications</p> <p>Appendix 2 – Timetable for market testing process</p>
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<b>IMPLICATIONS</b>
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**Financial**

1. The value of the responsive repairs work managed by Derby Homes is £4.5 million a year.

**Legal**

- 2.1 Under the terms of their Management Agreement, Derby Homes' role is to manage this contract on behalf of the Council, including the process of renewal and re-letting. Derby Homes will continue to manage the new contract proposed to be awarded in April 2006.
- 2.2 In carrying out this role, Derby Homes is required to comply with the Council's reasonable requirements and to liaise with the Council in respect of any renewal or re-letting. As this is a contract to be let in the Council's name and will run on beyond the current expiry date of Derby Homes Management Agreement of 31 March 2007, it requires the Council's approval to let the contract.

**Personnel**

- 3.1 As this is work currently undertaken by the Council's Commercial Services Department, the Government's Workforce Code will apply and its requirements must be included in the new contract. The Code will require that all the CSD employees assigned to the contract – 'transferring employees' – will transfer to a new contractor on the same terms and conditions. The new contractor must also offer them membership of Local Government Pension Scheme or a broadly comparable pension.
- 3.2 Employees joining the service after transfer – 'new joiners' – must be offered pay and conditions no less favourable than Transferring Employees and reasonable pension arrangements.
- 3.3 Derby Homes will liaise and consult with the Council and trade unions throughout the tendering and transfer process on workforce issues.

**Equalities impact**

4. None directly arising.

**Corporate objectives and priorities**

5. The proposal complements the Council's priority of **increasing value for money from our services**.



### **Timetable for market testing process**

#### **April/July 2005**

- Customer/stakeholder consultation events on the future maintenance requirements of their homes.
- Consultation with service providers.
- Consultation with other housing organisations, identifying those that wish to purchase their future maintenance work through Derby Homes.

#### **August 2005**

- Preparation of tender documents.
- Advertisement in the OJEU requesting expressions of interest.

#### **October 2005**

- Contract sent out to tender.

#### **December 2005/February 2006**

- Tenders returned.
- Tender evaluation including site visits and interviews.

#### **April 2006**

- Award contract.

#### **October 2006 / April 2007**

- Start on site.