

<b>10 October 2012</b>		<b>ITEM: 6</b>
<b>Housing Overview &amp; Scrutiny Committee</b>		
<b>Update on the Thurrock/Morrison Partnership</b>		
<b>Portfolio Holder: Cllr Val Morris- Cook</b>		
<b>Wards and communities affected:</b> <b>All</b>	<b>Key Decision:</b> <b>Non-key</b>	
<b>Accountable Head of Service: Kathryn Adedeji – Client Contract Manager</b>		
<b>Accountable Director: Barbara Brownlee – Director of Housing</b>		
<b>This report is public</b>		
<p><b>Purpose of Report to:</b></p> <ol style="list-style-type: none"> <li>1. Update the HOSC on the position reached with the repairs partnership with Morrison Facilities Services(MFS)</li> <li>2. Summarise initiatives undertaken by the Council to enable MFS to enhance the standard of service delivery for housing repairs</li> <li>3.Outline measures capable of being taken should improvements not be forthcoming.</li> </ol>		

## **EXECUTIVE SUMMARY**

This report summarises the position reached with MFS to date and the general performance of the partnership. Innovations undertaken or planned to improve performance are also outlined as are the management controls around the partnership to strengthen governance. An emphasis is placed on the Council supporting the remaining term of the partnership to work with MFS, in spite of difficulties, to deliver the best possible services for the available budget for the remainder of the partnership's duration.

### **1. RECOMMENDATIONS:**

That the Housing Overview and Scrutiny Committee:

#### **1.1. Note the contents**

#### **1.2. Agree to receive an update on progress at its meeting in March 2013**

**1.3. Agree to receive a report citing ‘lessons learnt’ from this procurement**

**2. INTRODUCTION AND BACKGROUND:**

- 2.1 In August 2010 the Council entered into a term partnering contract with MFS to provide a responsive repair service to its 10,300 homes and to return suitable vacant homes to the letting pool. The contract was let to a single service provider, MFS, for an initial 5 year term capable of being extended at the Council’s discretion by two further periods of up to 5 years each, making a total potential term of 15 years.
- 2.2. The partnership has not delivered the level of service set out in the contract documents or indeed as promised by MFS in some detailed proposals submitted as method statements. Customer confidence has not been established to an acceptable level and the service has attracted some adverse publicity.
- 2.3. The next 6 months will be a crucial time for the partnership’s future and it is appropriate that the HOSC are informed of the position at the start of this period and again on the outcomes at the end of it. The latter is the reason for recommendation 1.2.

**3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:**

- 3.1 There are two primary issues to consider. First the settlement of the amount to MFS for work executed from August 2010 to March 2012 and secondly the performance of the partnership from April 2012 together with its future.
- 3.2. The former is the subject of a dispute centred on two main issues. First the timing of invoicing, partly as a result of the lack of an integrated ICT system between the Council and MFS and secondly caused by a difference in interpretation of the contract regarding MFS’s entitlement to costs associated with transferring staff.
- 3.3. The Council has taken legal advice, as have MFS, and the parties aim to negotiate a non-adversarial settlement for the entitlement to March 2012. The Council is committed to a settlement that reflects the terms of the contract and, if advised that its case was strong, would pursue the contract dispute hierarchy to achieve a competitive settlement. Both parties have agreed that this will be treated separately from day to day operations so as not to have a direct impact on service provision.
- 3.4. The Council has sought to offer several options for innovation to work with MFS to stimulate service delivery. Examples of these are given below:
- Discussion and receipt of proposals for MFS to takeover call receipt and diagnostics. This will only be granted with submission of thorough resource plans and method statement but, if successful, could improve

diagnosis, reduce the incidence of emergency repairs which MFS argue have inhibited their ability to plan repair work.

- Moving the payment mechanism from a tendered schedule of rates to a fixed cost per job system. This will decrease the time spent on validating variations and encourage MFS to complete ordered works in a single visit.
- Isolating fixed costs such as management costs so that these can be seen openly and any savings made via better processes such as the ICT interface shared between the parties.

- 3.5. It is important to note that these measures are all within the terms of the contract and have been developed in consultation with Council audit services.
- 3.6. The measurement of customer service has also been strengthened. An independent customer satisfaction survey has been commissioned, after competitive tender, from Kwest. The current levels of customers who rate the service as good or excellent currently runs at around 74% for residents who have had a job completed as an average for the months from June- August when the survey has been running. This is not felt to be good enough and MFS have been asked for a rectification plan to improve it.
- 3.7. The Council was faced with the options of letting the contract run for another two years and then deciding whether to extend, or to take that decision now .It has decided on the latter partly because it is felt that the partnership, as presently constructed, has not delivered on its promises and would be highly unlikely to recapture customer and member confidence. Thus, in the spirit of openness which, in spite of difficulties, has been a feature of the relationship, the Council has informed MFS that it will not be extending the partnership beyond the initial 5 year term. Having stated this, the Council will have to consider which future service delivery arrangement is best suited to its service needs and resources.
- 3.8. There are a large number of lessons to be learnt from the way this contract was tendered and set up to be managed. These comprise both a review of the area of the market place that is asked to provide services and the skills set of Council managers to oversee an externally based service. This is the reason for recommendation 1.3 so that HOSC can see the rationale that goes into the structure of a future procurement and that the consultation base is wider than was the case for the partnership with MFS.
- 3.9. The challenge now is for both the Council and Morrison to improve the service for the remaining duration of the partnership, whatever term this may be. As well as seeking to enable improvement, contract management has been strengthened to provide more accurate and comprehensive performance measurement and to apply some sanctions under the contract. For example where MFS have failed to complete work this has been awarded to others.
- 3.10. The strengthening of management has yielded a true picture of MFS's performance. The HOSC is advised that there are currently some strong areas of performance. The delivery of void homes, for example, has improved

in the last quarter. This said, areas of the service delivery in responsive repairs remain weak and a number of 20 day orders are not executed within contract time lines leading to frustration for residents and an increase in complaints. MFS have been issued with a notice to submit plans for improvement and standards that must be met.

- 3.11. As a result of this notice should relevant contract standards not be met over a specified period the Council could be capable of shortening the term of delivery. The contract does not have a simple exit clause in the Council's favour so clearly any move to do this will have to be carefully considered and contractually correct to avoid a potentially expensive dispute.
- 3.12. The director of Housing would like to update the HOSC on the position reached on this and the options available in March or another agreed date. As previously stated this is the reason for recommendation 1.2.
- 3.13. The contract management team have been working closely with the team from RSM Tenon, the Council's auditors, after the publication of their report in October 2011. For the current financial year the audit regime has been strengthened by reinforcing the number of post inspections for responsive repairs as well as inspections of works in progress. All voids are inspected at completion to assess compliance with a minimum standard for letting and cost. The whole regime is linked to a monthly audit scrutiny co-ordinated by an external company to see that not only contract governance standards are achieved but, should it be correct to do so, adjustments are made to amounts due to MFS in specific circumstances of under delivery.

#### **4. CONSULTATION**

- 4.1. In terms of pure contract management consultation in a statutory sense is not a formal requirement. However links are being maintained to the Trade Unions, not to undermine MFS as the employer of their members, but to maintain openness as to the content of the contract where it is appropriate that they should know about this.
- 4.2. Additionally MFS attend site based 'surgery' days to receive comments direct from customers. *The last one of these was held on 29<sup>th</sup> September*

#### **5. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT**

- 5.1 The performance of the partnership and its improvement prospects impacts most on the following priorities:

**Priority 4:** Providing and commissioning high quality and accessible services that meet, wherever possible, individual needs

**Priority 5:** Building pride, respect and responsibility in Thurrock's communities and its residents

## **6. IMPLICATIONS**

### **7.1 Financial**

Implications verified by: **Mike Jones**  
Telephone and email: **01375 652772**  
**[mxjones@thurrock.gov.uk](mailto:mxjones@thurrock.gov.uk)**

The budget allocation for repairs falling within the remit of Morrison was set at £4.614m for the financial year 2012/13. Any deviation from this sum will need to be factored into the financial outturn for the Housing Revenue Account and will need to be met from in-year cost reductions, or it will need to be funded from reserves.

As part of the closure of the 2011/12 financial year, a provision was made in the form of a creditor for the settlement of the outstanding works in dispute. This was based on the information available at the time. As this is part of on-going negotiations, any settlement agreed above this figure will have an impact on the financial outturn of the Housing Revenue Account, and as with the base contract sum, will need to be met from in-year cost reductions, or it will need to be funded from reserves.

### **7.2 Legal**

Implications verified by: **Daniel Toohey**  
Telephone and email: **01375 652049**  
**[daniel.toohey@BDTLegal.org.uk](mailto:daniel.toohey@BDTLegal.org.uk)**

The Council is bound by the terms of the existing contract with the contractor, and any breach of those terms could give rise to a legal claim by the contractor. For this reason Legal Services are working with the Housing officers including the Accountable Director to advise on appropriate steps to manage contractor performance or failures.

### **7.3 Diversity and Equality**

Implications verified by: **Samson DeAlyn**  
Telephone and email: **01375652472**  
**[sdealyn@thurrock.gov.uk](mailto:sdealyn@thurrock.gov.uk)**

There are no equality or diversity implications noted in this report.

7.4 **Other implications (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

A regular risk report on the partnership is submitted via the corporate risk register

**BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):**

- No Background papers were used in preparing this report

**APPENDICES TO THIS REPORT:**

- No Appendices

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