

CABINET

21 May 2024

Title: BDTP Contract Extensions	
Report of the Cabinet Member for Community Leadership and Engagement	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
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Accountable Director: Kamran Rashid, Interim Director, Homes and Assets	
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Summary	
<p>In 2018, the Council approved arrangements for the creation of Barking and Dagenham Trading Partnership (BDTP) Limited, a Council-owned company that would be responsible for the delivery of a range of services including housing repairs and maintenance, school catering and cleaning and facilities management. The housing repairs and maintenance element is carried out within Barking and Dagenham Management Services (BDMS) Limited, a subsidiary of BDTP.</p> <p>The contract for services provided by BDMS, and other services within BDTP such as corporate cleaning undertaken by Barking and Dagenham Corporate Cleaning (BDCC), and staff management via We Fix, had an initial five-year term which expired on 31 March 2023. Due to concerns with BDMS services regarding customer and stakeholder satisfaction, increasing disrepair claims, financial viability issues and a lack of assurance on service quality, the Council opted for a one-year contract extension to 31 March 2024 instead of entering another long-term contract. The extension period was aimed at addressing concerns about productivity and value for money while also allowing the new leadership within BDMS to implement improvements.</p> <p>Despite some progress during the extension period, which included the implementation of a "green shoots" project which led to improvements in service delivery, customer satisfaction and reduced repair backlogs, further improvements are necessary within BDMS to meet the Council's expectations and deliver high-quality services to residents.</p> <p>Notwithstanding those challenges within BDMS, this report recommends extending contracts with BDTP for housing repairs and maintenance, cleaning and staff management for two years, from April 2024 to March 2026. This would maintain service continuity while exploring alternative providers and ensure uninterrupted service provision while the Council investigates alternative options.</p> <p>To ensure value for money, proactive practices including regular reviews and seeking cost savings have been completed by MyPlace and these will continue across the extended period.</p>	

Recommendation(s)

The Cabinet is recommended to:

- (i) Agree the extension of contracts with BDMS for repairs and maintenance, BDCC for corporate cleaning and the management of the council's DLO staff (Wefix) for an additional two-year period ending 31 March 2026;
- (ii) Agree that the Council pay the fees due to BDMS quarterly in advance to support with management of its financial liquidity, subject to compliance with the Subsidy Control Act 2022;
- (iii) Authorise that the Strategic Director of MyPlace, in consultation with the Cabinet Members for Community Leadership & Engagement and Finance, Growth & Core Services, the Strategic Director, Resources and the Head of Legal, to conduct negotiations and finalise the terms of the contract extension with BDTP; and
- (iv) Note the Council's intention to explore alternative options for the provision of repairs and maintenance services, currently managed by BDMS, in order to optimise future service delivery in line with evolving needs, industry standards and value for money considerations.

Reason(s)

To assist the Council in achieving its priority of "Residents live in good housing and avoid becoming homeless" and to accord with the Council's Contract Rules and the Public Contract Regulations 2015.

1. Introduction and Background

- 1.1 The Council is bound by Consumer Regulations and Home Standards, requiring them to provide cost-effective repairs and maintenance services that prioritise the health and safety of occupants. Additionally, as a landlord and local housing authority, the Council must ensure its residential properties are kept in repair under the Landlord and Tenant Act 1985 and the Housing Act 1985.
- 1.2 The provision of repairs and maintenance is crucial for the sustainability of the borough's physical assets, helping the Council meet its legislative and statutory obligations. With a significant number of social rented and affordable housing properties under management, along with leasehold properties, the Council plays a central role in ensuring these properties are well-maintained.
- 1.3 Repairs to individual properties and communal areas are essential services provided by the Council, impacting residents' lives positively when executed effectively but having negative consequences when they go wrong. Thus, the Council's commitment to delivering high-quality repairs and maintenance services is vital for the well-being of residents and the overall sustainability of the community.
- 1.4 The Council initiated contracts with BDTP in August 2018 to provide essential services including repairs and maintenance, corporate cleaning, and management of DLO staff. These services were crucial for fulfilling the Council's obligations

towards its properties and tenants. The contracts also aimed to give the Council greater ownership and control over service delivery while delegating management responsibility to its subsidiary.

- 1.5 Initially, the contracts had a five-year term which expired on March 31, 2023. Due to concerns regarding customer and stakeholder satisfaction, increasing disrepair claims, financial viability issues, and a lack of assurance on service quality, the Council opted for a one-year contract extension instead of entering another long-term contract with BDMS. This extension allowed for assessment against Key Performance Indicators (KPIs) and evaluation of the financial model.
- 1.6 The decision to extend these contracts by one year in 2023 aimed to allow BDMS an opportunity to enhance its performance and better align its services with the Council's objectives. Despite some progress during the extension period, further improvements are necessary to meet the Council's expectations and deliver high-quality services to residents.
- 1.7 The extension period has concluded, prompting further evaluation and decision-making regarding the provision of essential services to the Council and its residents. It is crucial for the Council to prioritise high-quality service delivery while ensuring value for money and meeting community needs. Future decisions on service provision must carefully consider performance, financial viability, and alignment with the Council's objectives.
- 1.8 In 2023, the Council chose not to seek new contracts when the original ones expired for several reasons including a lack of reliable benchmarking data and changes in leadership at BDMS. The extension period was aimed at addressing concerns about productivity and value for money, leading to collaborative efforts like the "green shoots" project to improve service delivery and address repair backlogs.
- 1.9 Discussions between MyPlace and BDMS in August 2023 focused on potential costs for the upcoming year, with acknowledgment that one-time funds injected in 2023/24 for backlog clearance and inspections would not recur.
- 1.10 The HRA budget report presented to the cabinet in January 2023 projected the costs of the BDMS service for 2024/25 at £21.25 million, based on anticipated changes to the delivery model and agreed transformation costs outlined in the BDMS business plan.
- 1.11 The transformation costs and delivery model changes set out in the BDMS business plan were not agreed between the parties and therefore the anticipated savings were not achieved. Consequently, the cost of delivering the repairs service has increased since the cabinet report in January 2024.

2. Proposal and Issues

- 2.1 The proposal includes a two-year extension of contracts, allowing for full testing of the open market and the transition and mobilisation to another provider (if found to provide better value for money and improved delivery of services to our communities) within that timeframe.
- 2.2 The contract extension proposes the following contract values:

- The total value of the contract extension for the repairs and maintenance service will be £16,662,000, compared to £17,061,000 in 2023/24. Planned capital works costs of £5,901,000 are to be undertaken in 2024/25 as part of this extension compared to £8,128,000 in 2023/24.
- The total value of the contract extension for the management of the DLO staff (WeFix) will be £5,427,000 compared to £6,206,000 in 2023/24.
- The total value of the contract extension for the corporate cleaning contract will be £1,757,894.71 compared to £1,970,134.37 in 2023/24.

Funding source

- 2.3 Funding for the contract extensions will be allocated from the Council's operational budgets with provisions made to accommodate the additional expenditure. Cabinet will note that it has already agreed to fund these services by way of the HRA business plan presented to it in January 2024 in relation to HRA services provided under this extension which amounts to £27,990,000. This is split between HRA revenue budgets, £22,089,000 and HRA capital budgets £5,901,000. The corporate cleaning contract is funded from the General Fund.
- 2.4 The 2024/25 HRA budget approved by Cabinet in January 2024 made provision of £21.250m for the repairs contract with BDMS Ltd compared to the revenue fee of £22.089m proposed in this report. This indicates a funding gap of £0.839m to be funded from HRA resources. The capital fee of £5.901m proposed in this report is still within the scope of the proposed HRA capital budget for 2024/25 of £24.688m.
- 2.5 Below is a summary of the key changes from the 2023/24 revenue fee to the revised fees proposed in this report. It shows a reduction in fee of £5.712m in 2024/25 compared to amount paid in 2023/24 from HRA revenue budgets.

Table A - Movement in BDMS fees charged to HRA revenue budgets.

Movement in BDMS FEES charged to HRA revenue budgets	£000
2023/24 BDMS Total Fee	27,801
Changes:	
Decrease in DLO management costs	(779)
Decrease in agency costs	(534)
Decrease in material costs	(52)
Decrease in Sub-contractors' costs	(202)
Decrease in Premises, expenses, uniform costs	(352)
Removal One-off investment in backlog in 23/24	(4,535)
Increase in LBBB Recharge - Contract centre & Ohs	352
Increase in LBBB Compliance	88
Addition of cost of cover for We Fix operatives	240
Increase in fleet management	61
Net total of changes	(5,712)
Proposed BDMS HRA Revenue Fee 2024/25	22,089

Issues

2.6 Cost Analysis

2.6.1 A cost analysis has been conducted comparing the expenses associated with extending the contract with BDMS against the potential costs of transition into new service providers. Extending the contracts with BDMS is deemed more cost effective in the short-term considering the complexities and uncertainties involved in re procurement. However, it is the Council's intention to review alternative repairs and maintenance contracts (currently delivered by BDMS) through open market testing and therefore any future proposals to transition to a new service provider would include these additional costs. Such proposals would be presented to cabinet as part of the approval and decision-making process.

2.7 Performance Evaluation

2.7.1 A comparison of performance data from November 2023 to January 2024, demonstrates a mix of progress and challenges in our repair services.

2.8 Progress

2.8.1 **Legacy Job Reduction:** A notable achievement is the continued reduction in legacy jobs, from 171 in November 2023 to just 1 by May 2024. This demonstrates effective clearing of longstanding issues.

2.8.2 **Customer Satisfaction:** Customer satisfaction averaged 75% for the full year, peaking at 83% in March 2024. This reflects well on the improvements in service delivery.

2.8.3 **Void Management:** The number of open void properties remained low at 43 on 1st May 2024, indicating a significant improvement from previous years. However, work is still required to consistently hit LBBB targets.

2.8.4 **Open Responsive Repair Jobs:** The current levels of open WIP are very positive with around 2 weeks' worth of WIP at any one time. This is acknowledged to be good performance in the sector.

2.9 Challenges

2.9.1 **Damp & Mould Challenges:** The damp and mould cases are now at LBBB target levels of around 100 open jobs. This is a very recent improvement, and we continue to monitor given the significance of Damp & Mould jobs to LBBB.

2.9.2 **Staff Turnover and Planning Issues:** High staff turnover, sickness and loss of temporary operational staff have contributed to challenges in planning and meeting demand.

2.9.3 **Completion Targets:** Jobs being completed outside of the LBBB priority target timescales continue to be an issue that needs resolution.

- 2.9.4 **Legal Disrepair:** While there have been improvements in the management of legal disrepair, the levels remain high and require ongoing attention.
- 2.10 An assessment of BDMS' current repair performance has been undertaken and this indicates that the current arrangement may not be delivering the expected value for money anticipated. The cost of this service was externally benchmarked by Ark in December 2022 at a cost of £2799 per unit per annum against a sector benchmark of £2500 (12% higher). Given the further increased costs of 2023/24 it is likely that this situation has not significantly improved.
- 2.11 Despite higher service costs compared to other local authorities the quality of service provided is not meeting the Council's desired standards resulting in lower outcomes for the Council and our communities.
- 2.12 It is acknowledged that due to contractual commitments (as set out above) we need to continue utilising the services of BDMS whilst we investigate alternative provision options.
- 2.13 It should also be noted that mobilising an alternative delivery model would take a minimum of 18 months to procure. While recognising this constraint it is imperative that we take proactive steps to explore these options and lay the groundwork for a smoother transition should an alternative service provision be determined as optimal for the Council and its residents.
- 2.14 Over the coming months we will be undertaking market testing and comprehensive market research to identify potential alternative repair service providers. This process will involve evaluating the capabilities track record, pricing structures and customer feedback of various providers to ensure that we select an option that offers superior value for money and aligns with our organisational objectives and aspirations.
- 2.15 At the same time, we will continue to explore opportunities for cost reductions and service improvements within BDMS with a view to realising efficiencies and bringing the overall cost of the service down to a more affordable and sustainable cost point without compromising the service or quality of offer to our communities.
- 2.16 We will continue to seek to negotiate mutually beneficial arrangements that address our concerns and pave the way for a smoother transition to either a new provider or a new long-term arrangement with BDMS.
- 2.17 As the report highlights, there is a lack of benchmarkable data in respect of the cost of the proposed fee, but high-level unit cost comparison undertaken in 2022 indicated 2022/23 fees were higher than similar contracts in the industry. Contracts of this nature should normally be able to be benchmarked against an industry Schedule of Rates so that average job costs can be compared and tested for value-for-money.
- 2.18 Within the fees are variable costs for fleet management, £1.390m, which could vary in relation to volume of work done. The final fee for the year could vary from the value assumed in the proposed fee. MyPlace will need to monitor volume of work and impact on fleet costs judiciously to ensure costs stays within budget or is offset by savings in other areas of the HRA budget.

- 2.19 The fixed fee approach for the rest of the contract on the other hand does not take account of the number of jobs that are undertaken and so the matter in relation to the number of open jobs highlighted in this report is a cause for concern.
- 2.20 Due to these factors and the absence of a competitive procurement exercise before the award of this extension to BDMS or market test data it cannot be evidenced whether the contract delivers value for money to the HRA but is unlikely to do based on the per unit cost comparison report provided by the consultancy firm ARK from 2022.
- 2.21 However, given that the contract is now “out-of-contract” and there is no alternative viable option at this late stage then there seems to be little choice but to extend the contract pending a competitive procurement exercise.
- 2.22 MyPlace intend to address this issue by mainly committing only to a 1-year fee with the expectation the fee for the second year of this 2-year extension period will be informed by market tests data and a competitive procurement.
- 2.23 In terms of how the additional cost is to be funded, it is proposed that the £0.839m additional cost compared to the agreed HRA budget is funded by reducing the £2.075m additional voluntary contribution to reserves built into the 2024/25 budget. The voluntary contribution to reserves for 2024/25 will therefore be £1.236m instead if the proposals in this report are approved.
- 2.24 HRA reserves are expected to close with a balance of £16.2m at the end of 2023/24 based on 2023/24 period 10 HRA outturn forecasts. Adding a further £1.2m to the reserves increases it to £17.4m, representing 14% of total income compared to 12% target set by MyPlace.
- 2.25 The BDTP cleaning contract extension will be covered from the 2024/25 General Fund budget provision of £1.989m. The cost of the contract extension for 2024/25 is £1,757,894.71.

Procurement

- 2.26 We anticipate commencing procurement for the repair and maintenance service in Q2 of FY24/25. While optimistically, the procurement process is expected to take approximately 12 months, considering the complexities around TUPE and scope options, this timeline could extend to circa 18 months. A realistic timescale for each key stage of the procurement is set out below.
- 2.27 By implementing these measures, we ensure our repair and maintenance service is robustly managed, delivers VFM, and achieves the desired service improvements. Regular meetings and quarterly reports enhance transparency, accountability, and performance management.
- 2.28 The indicative timeline for completing the market testing and mobilisation of an alternative provider or the provision of a new long-term contract to BDMS is set out in Table B below.

Table B
Indicative Timescale for Competitive Dialogue

Stage	Estimated Duration In Weeks
Develop prospectus and Pre-qualification questionnaire (PQQ)	4
Advertise - Open Tender OJEU	5
Response from contractors to PQQ	6
Develop output specification / tender documentation (concurrent with OJEU/PQQ period)	6
Short listing for Dialogue phase	1
Feedback to unsuccessful applicants	2
Dialogue phase	12
Review of dialogue phase submissions	4
Finalisation of tender documentation	4
Short listing for tender phase	2
Tender phase	12
Select preferred bidder	4
Negotiation with preferred supplier	4
Contract close	2
Contingency	12
Total	80

Measuring Value for Money and Performance

- 2.29 **Cost Benchmarking:** We are undertaking benchmarking to compare the current cost of the repair and maintenance service against industry standards and similar services offered by other providers to ensure competitiveness and value for money.
- 2.30 **Service Level Agreements (SLAs) Review:** We regularly review SLAs with BDMS to ensure that service standards are met efficiently and cost-effectively. We have developed SLAs which include specific VFM targets and indicators.
- 2.31 **Performance Monitoring for Cost Efficiency:** We have implemented robust performance monitoring systems to track key performance indicators (KPIs) such as response time, completion time, and customer satisfaction against the cost of the service.
- We regularly analyse performance data to identify areas where improvements in service delivery can be made to achieve better value for money. A recent example of this was the review of the void standard which highlighted a significant amount of over specification and additional cost.
- 2.32 **Efficiency of Resource Allocation:** We monitor the allocation of resources to ensure that they are used efficiently and are cost-effective.
- 2.33 **Regular Financial Audits:** We undertake regular financial audits to ensure that the repair and maintenance service is delivered within budget and that costs are managed effectively. This includes identifying and addressing areas of overspend or inefficiency.
- 2.34 **Fortnightly Client/Contractor Meetings:** We hold fortnightly contract management meetings between the Council (led by the Strategic Director of My Place) and BDMS (led by the BDTP Chief Executive). These meetings have now been in place

for over 12 months and were initiated as part of Project Green Shoots aimed at clearing the substantial backlogs across a number of key workstreams. We use these meetings to review performance, address any issues, and identify opportunities for improvement.

We have been providing reports to overview and scrutiny setting out the actual performance of our repairs and maintenance service. The latest meeting of Overview and Scrutiny led to the board requesting that the Council market test for alternative providers/options.

We regularly highlight operational and VFM considerations, including performance against KPIs and SLAs, cost efficiency and expenditure, customer satisfaction and feedback, identified risks and mitigation strategies, and progress on improvement initiatives.

2.35 **Risk Management and Contingency Planning:** We identify potential risks to service delivery and develop strategies to mitigate them.

2.36 **Innovation and Technology Adoption:** We are currently exploring innovative solutions and technologies to improve the efficiency and effectiveness of service delivery.

3. Options Appraisal

3.1 Table C below sets out the options considered regarding the ongoing provision of a repairs and maintenance service for our communities. The table evidences the decision reached to test the market for an alternative provider.

Table C: **Options Appraisal primary considerations**

Option	Advantages	Disadvantages	Decision
Maintaining the Status Quo	Familiarity - People already know how it works. Continuity: It keeps things running smoothly without changes. Retains control -ability to make quick adjustments when needed.	Lacks potential for improvement without significant further investment Historical service delivery and reputational issues Missed opportunities for improving VFM. Falling behind others/advancing sector offers People resist change – leading to low levels of productivity & service delivery	Rejected
Bringing DLO In-House	Potential VAT savings on labour costs Maintains control over workforce and service quality. Promotes high levels of job satisfaction	Requires significant initial investment and ongoing resource allocation. Assumes all labour-related risks, including HR management and performance issues. Involves substantial setup costs and complexity compared to outsourcing. Extension of existing contracts and direct supply chain management	Rejected
Adopting a Mixed Model of Service Delivery	Facilitates local specialists to tender, promoting community engagement Mitigates main contractor overheads, ensuring cost-effectiveness. Diversifies risk by avoiding reliance on a single contractor	Demands greater client management and resource allocation. May appear less attractive to the market due to fragmented contracts. Raises procurement costs and complexities. Contractors might show reluctance to invest in IT and social value initiatives. Inherent risks in IT and contact centre operations	Rejected
Testing the Market for an Alternative Provider	Simplifies management with one contractor and integrated IT systems for enhanced efficiency. Encourages contractor investment in IT, social value, and customer support. Centralised contact centre streamlines communication and service delivery	- Concentrates risk with 'all eggs in one basket' approach - Potential for higher subcontractor involvement leading to added costs - Limited market competition due to Tier 1 attractiveness - Local specialists may feel sidelined - TUPE transfer risk and IT/contact centre management challenges	Agreed

- 3.2 The report identifies various risks associated with extending contracts with BDTP, such as service quality, cost escalation, and legal compliance. To mitigate these risks, the council intends to implement robust performance monitoring mechanisms, including KPIs and service level agreements, and engage in regular audits and compliance checks.
- 3.3 The proposal to explore alternative service providers through open market testing reflects a proactive approach to risk management by diversifying options and ensuring compliance with procurement regulations.
- 3.4 The proposal to extend contracts with BDTP demonstrates a strategic approach to providing value for money by balancing cost considerations with service quality and performance. Furthermore, the implementation of risk management and compliance measures underscores the Council's commitment to transparency, accountability, and responsible governance in service delivery.

4. Consultation

- 4.1 The proposals in this report were considered and endorsed by the Executive Management Team.

5. Financial Implications

Implications completed by: Alex Essilfie-Bondzie (Interim Head of Finance, MyPlace and Inclusive Growth)

- 5.1 The total value of the repairs contract of £27,990,000, split between the revenue budgets £22,089,000 and capital budgets £5,901,000 is expected to be funded from the 2024/25 HRA budget approved by Cabinet in January 2024. The approved budget made provision of £21.250m for the revenue repairs contract with BDMS Ltd compared to the revenue fee of £22.089m proposed in this report. This indicates a funding gap of £0.839m to be funded from HRA resources. The capital fee of £5.901m proposed in this report on the other hand is within the scope of the proposed HRA capital budget for 2024/25 of £24.688m.
- 5.2 Below is a summary of the key changes from the 2023/24 revenue fee to the revised fees proposed in this report. It shows a reduction in fee of £5.712m in 2024/25 compared to amount paid in 2023/24 from HRA revenue budgets.

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- 5.3 As the report highlights, there is a lack of benchmarkable data in respect of the cost of the proposed fee, but high-level unit cost comparison undertaken in 2022 indicated 2022/23 fees were higher than similar contracts in the industry. Contracts of this nature should normally be able to be benchmarked against an industry Schedule of Rates so that average job costs can be compared and tested for value-for-money.
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- 5.6 Due to these factors and the absence of a competitive procurement exercise before the award of this extension to BDMS or market test data it cannot be evidenced whether the contract delivers value for money to the HRA but is unlikely to do so based on the per unit cost comparison report mentioned above.
- 5.7 However, given that the contract is now "out-of-contract" and there is no alternative viable option at this late stage then there seems to be little choice but to extend the contract pending a competitive procurement exercise.
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- 5.11 The BDTP cleaning contract extension will be covered from the 2024/25 General Fund budget provision of £1.989m. The cost of the contract extension for 2024/25 is £1,757,894.71.
- 5.12 BDMS Ltd and its parent BDTP Ltd in agreeing to these terms have secured an extension for two years which gives them an opportunity to improve performance over a relatively longer period to become more competitive and deliver savings to the Council before the next procurement of this contract is undertaken. The fee is also designed to give them an overall profit margin to cover group overheads and unexpected variations in company running costs. An agreement has also been reached to pay the fees quarterly in advance to support BDMS with management of its financial liquidity.

6. Legal Implications

Implications completed by: Lauren Van Arendonk, Principal Lawyer Contracts

- 6.1 Cabinet endorsed the recommendation to set up a fully owned company (BDTP) in July 2018.
- 6.2 Under reg 12(8) of the Public Contracts Regulations 2015 (SI 2015/102) (PCR (Public Contract Regulations) 2015), local authorities are exempt from running a procurement on the open market if they contracted with a legally distinct entity to provide services. The conditions for the exemption were:
- The service provider carries out the principal part of its activities with the authority. The authority exercises the same kind of control over the service provider as it does over its own departments.
 - There is no private sector ownership of the service provider nor any intention that there should be any.
- 6.3 Having met the necessary tests, the original contract entered by the Council and BDMS was lawfully made. However, general principles of the PCR 2015 continue to apply.
- 6.4 The Procurement Act 2023 sets out changes to the Public Contracts Regulations however, the exemption tests/criterion remain unchanged currently.
- 6.5 As the Council is paying the companies in advance and the size of the payment is several million pounds there may be Subsidy implications under the Subsidy Control Act 2022. The companies are market operators in a marketplace populated by other companies. The Council does not pay any of its other suppliers in advance. The subsidy would be the value to the companies of the advance payment.

7. Other Implications

7.1 Risk Management

- 7.1.1 While extending the contracts with BDMS mitigates the risk of service disruption, ongoing performance issues pose potential risks, including:

- **Service quality:** continued monitoring and oversight will be required to ensure that the BDMS continues to meet service quality standards and performance targets.
- **Contract compliance:** BDMS must comply with contractual obligations and performance criteria to avoid further deterioration in service and to our residents.
- **Cost escalation:** There is a risk that the costs associated with the extended contract could increase in year due to use of inefficient management of contractors and continued low productivity rates among operatives.
- **Affordability:** as the contract fee for year two will be renegotiated closer to the time of renewal there is a potential risk that the cost of the year two contract becomes prohibitively expensive and unaffordable.
- **Dependency on a single supplier:** Relying on a single supplier for repairs poses a risk of dependency, limiting flexibility, competition, and an inability to evidence VFM.
- **Legal and regulatory compliance:** We are aware of pending regulatory changes to the sector and as such there is a risk that we fail to comply with any new legal requirements, and this could expose the Council to legal and reputational damage. There is also a risk to breaching procurement rules in exercising the extension without full diligence.

Mitigation Strategies

- 7.1.2 A fixed fee contract has been agreed which should limit any cost escalations in year. In year 2, more granular data will be available to base the new contract fee on. In addition, we will regularly monitor contract performance and expenditure to identify any cost variances and address them promptly.
- 7.1.3 We have implemented a robust performance monitoring mechanism, including KPIs (key performance indicators), service level agreements and third-party auditing on key compliance areas. We also continue to use internal and external audits on the outputs of the service to residents.
- 7.1.4 We are committed to test our service needs on the open market to ensure that we are achieving or could achieve VFM from our supply chain. Additionally, we have access to several frameworks upon whom we could call if we needed to suddenly diversify our service offer.
- 7.1.5 Cabinet has been asked to consider the proposal to extend the contract and agree to the same which provides transparency and ensures good governance around the decision making. It has been established that the original decision to create the wholly owned company to carry out the repairs and maintenance service was legally compliant.
- 7.1.6 Due diligence has been undertaken on BDMS compliance with health and safety regulations and employment standards along with their commitment to observe any additional lawful requirements to ensure the Council remains compliant. (This is written into the contract)
- 7.2 **Staffing Issues** - The extension of the contracts does not give rise to any direct staffing issues, as the workforce would continue to provide the current services.

7.3 **Property / Asset Issues** - The extension of the contracts would mean that the Council's hosing stock will continue to be maintained.

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None