

**National Housing Maintenance Forum
Conference 2012**

Maintenance - delivery options

**Andrew Millross, Partner
Anthony Collins Solicitors LLP**

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Coverage

- Options – overview
- Context and objectives
- Review of each option
 - implications
 - implementation
 - issues
- How do you decide?

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Options

- DLO
- “Shared services” DLO
- DLO plus external support
- Joint venture organisation
- External contract(s)
- Context, objectives and strategy
- What are the options

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Context and objectives

- Regulatory framework – vfm focus
- Reducing budgets
- Pressure on the contracting sector – insolvencies
- VAT increase for housing associations
- Importance of maintenance to residents

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DLO - implications

- “Core business”
- Full responsibility for delivery
- Health and safety responsibility
- Control over workforce recruitment
 - local labour
 - equality laws and duty
 - apprentices
 - subject to TUPE
- All employment and pensions risks retained

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DLO - implementation

- Procurement
 - DLO itself – either no contract or “*Teckal*”
 - “subcontractors” and materials – full EU compliance
- Registrations & licences
 - Gas Safe, NICEIC etc
 - waste licences
- TUPE
 - continuing “service”
 - “assigned” employees

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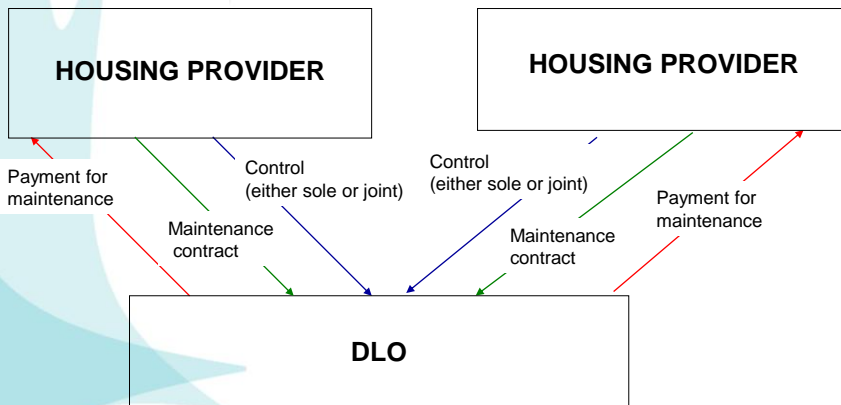
DLO - issues

- Within organisation or subsidiary
 - *Teckal* test
 - equal pay – comparator
 - VAT grouping
- Working for third parties
 - governance requirements
 - *Teckal* – “essential part” of activities test
- External support for workload peaks
- Leaseholder consultation – not a QLTA
- Proving value for money

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“Shared services” DLO - structure



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“Shared services” DLO - implications

- May enable smaller housing organisations to run DLO
- Economies of scale
- Better able to cope with workload peaks and troughs
- VAT savings for some or all participants

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“Shared services” DLO - implementation

- *Teckal* – control by single organisation
- *Tragsa*
 - joint control
 - essential part of activities for controlling organisations together
- Scenarios
 - local authorities combine DLOs
 - registered provider joins group structure with a DLO
 - registered provider takes maintenance from parent's DLO
 - ALMO (with delegated maintenance budget) uses authority's DLO

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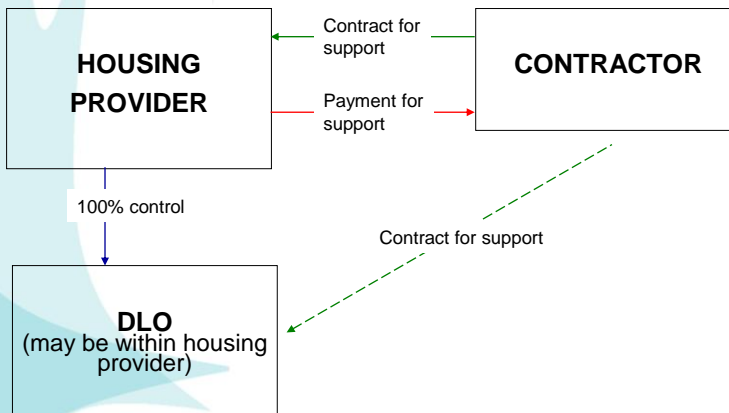
“Shared services” DLO - issues

- Management control over DLO
- Client side “co-ordination”
- Cost apportionment / payment mechanism
- Surpluses – retained or shared
- VAT
 - grouping with “main” purchaser
 - sharing services

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DLO with external support - structure



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DLO with external support - implications

- May enable housing organisation to run a DLO
- VAT savings on labour
- Some protection from contractor insolvency
- Contractor can support workload peaks
- “Contractual joint venture”

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DLO with external support – implementation

- Form of contract
 - maintenance contract
 - professional services/appointment
- OJEU threshold
 - likely to be services
 - new threshold £173 934 (from 1.1.12)
 - over life of contract or 4 years (if shorter)

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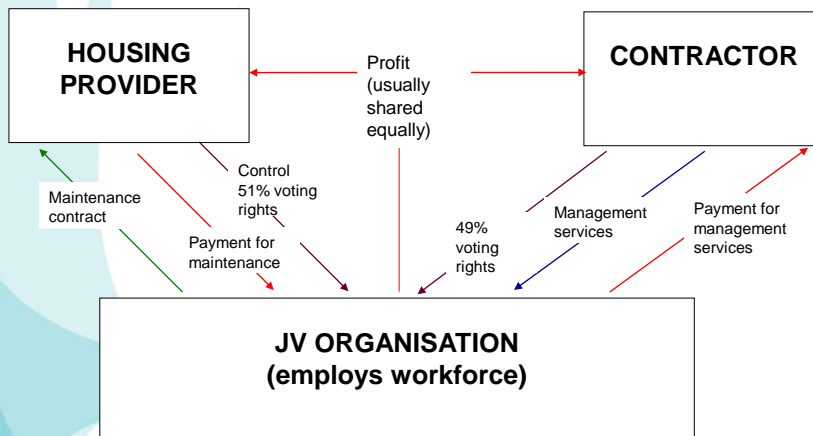
DLO with external support – issues

- Contractor responsibility for DLO performance
 - place risk with party best able to manage it
 - managing risk requires control
 - balance risk and reward
- How is performance assessed
 - setting appropriate KPIs
 - KPIs data integrity
 - beware “target chasing”

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Joint venture organisation - structure



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Joint venture organisation – implications

- Shared responsibility for delivery and profitability
- VAT savings on labour
- TUPE and pensions risks primarily with JV
- Contractor available for support
- Some protection from contractor insolvency
- Set up and running costs – scale

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Joint venture organisation – implementation

- Interpretative Communication
 - procurement of both contract and contractor
- Competitive dialogue procedure
 - “extra” dialogue stage between PQQ and final tenders
 - negotiations (contract and governance documents) with 3 bid teams
 - cost and time implications

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Joint venture organisation – payment

- Money flows
 - under the maintenance contract
 - to the contractor for “management services” (can include vehicles, materials supply chain etc)
 - profit share
- Payment mechanism options
 - same as under external contract
- JV “for profit”
 - not subject to OJEU for its purchases

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Joint venture organisation – issues

- VAT
 - local authority and ALMO can reclaim
 - registered provider - needs “control” to form VAT group
- Control and governance
- Role of JVO Board
- TUPE and pensions risks
 - LGPS/SHPS admitted body
 - broadly comparable pension arrangements

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External contract - implications

- Least control over delivery
 - contract can give some control
 - effective contract management is key
- VAT liability
 - but local authority and ALMO can reclaim
- TUPE and pensions risk with contractor
- Contractor insolvency/reprocurement risk
- Leaseholder consultation

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External contract issues – “packaging”

- Responsive, planned, servicing together or separate
- Contract or framework agreement – ability to define and commit to specified work
- Number of contractors
 - risk spreading & encouraging SMEs
 - contract management implications
 - economies of scale/incentive to partner
- Length of contract & break clauses

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External contract – issues - Payment basis

- Price based - consider
 - variations
 - inflation
 - price change mechanisms
- Fixed price per property (PFI approach)
- Cost based (with target) – consider
 - target setting
 - analysis of actual costs information
 - ability to control costs
- Performance incentives/deductions

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External contract - implementation

- Procurement options
 - individual
 - framework agreement
 - buying club framework agreement
- Procedure
 - restricted is usual
 - availability of competitive dialogue
- Timetable

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How do you decide

- Core business and importance to residents
- Capability and appetite to run DLO
- Scale
- VAT savings
- Pensions costs and risk
- Ability to achieve efficiencies

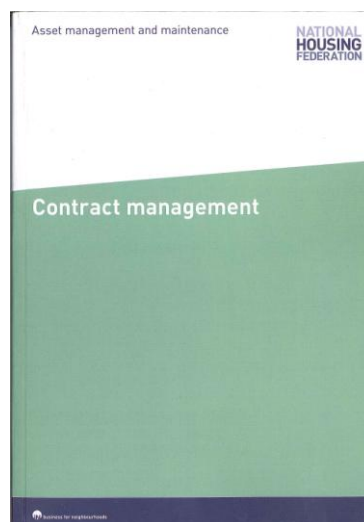
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solicitors

Questions

andrew.millross
@anthonicollins.com

0121 212 7473



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