

## **Report for: Cabinet**

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<b>Date of Meeting:</b>	26 October 2023
<b>Subject:</b>	Re-procurement of the Repairs & Voids Contract, Electrical Services and Water Hygiene
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Dipti Patel Corporate Director, Place David McNulty,
<b>Portfolio Holder:</b>	Councillor Mina Parmar, Portfolio for Housing Councillor David Ashton, Portfolio Holder for Finance and Human Resources
<b>Exempt:</b>	Public with exempt Appendices 1, 2 and 3 by virtue of Paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information in relation to the financial or business affairs of any particular person (including the authority holding the information)
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All wards
<b>Enclosures:</b>	Appendix 1 - Repairs & Voids Specification (exempt)  Appendix 2 - Evaluation Criteria Repairs & Voids (exempt)  Appendix 3 - Price Evaluation (exempt)

## **Section 1 – Summary and Recommendations**

- 1.1 This report requests Cabinet approval to exercising the renewal of the Council's Repairs and Voids contract in respect of HRA and PAP (Property Acquisition Programme) properties, and the use of 2 public frameworks for Electrical services and Water Hygiene testing via delegated authority granted to the Divisional Director of Housing.

### **Recommendations:**

- 1.2 Cabinet is requested to:

- 1) Approve the re-procurement of the Repairs and Voids Contract including PAP properties noting that the contract would commence on the 1 July 2024 and expire on the 30 June 2028 with the option to extend for a further 4 years in periods of 2 years.

[The 4 year and 8 year revenue budget value are £17.96m and £35.92m respectively. Approval of capital expenditure of 7m, £1m per year within existing capital programme, from year 2 of contract. Total revenue and capital budget total £43m].

- 2) Approve the re-procurement of the Electrical Services and Water Hygiene Services Contract to all HRA stock and PAP properties, to be procured compliantly via a Framework in March 2024 for a period of 5 years with the option to extend for 2.

[Contract commencing on the 1 July 2024 and will expire on the 30 June 2029 with the option to extend for further 2 years. The 7 year revenue budget value is £3.51m].

- 3) Delegate authority to award contracts to the successful contractors for the above procurements to the Corporate Director of Place, following consultation with the Portfolio Holders for Housing and the Portfolio Holder for Finance and Human Resources.
- 4) Delegate authority to the Corporate Director of Place, following consultation with the Portfolio Holder for Housing, to make any changes required to the procurement documents following approval.

## **Section 2 – Report**

### **2.0 Introductory paragraph**

2.1 The current repairs and voids contract has been extended to its maximum length and expires on 30 June 2024. We need to commence the work to procure new service providers, and this report sets out the timescale and direction the new contract will take.

- The re-procurement of the Repairs and Voids contract will allow the Council and residents to re-shape the responsive repairs service and to appoint new contractors to ensure housing repairs are carried out effectively and in a timely manner. The procurement will help ensure that the new contract offers a high-quality service and good value for money
- A continued provision of services as per our statutory duties as a social housing landlord.
- Appropriate time for the Housing Team to consult all stakeholders in detail. This also ensures adequate resources are put in place to deliver this to deliver a new customer led procurement exercise.
- This would include completely re-examining the service specification and associated documents required for a new tendering exercise to meet the high expectations of Harrow's customers.

2.2 There are a number legislative and regulatory changes within which housing services have to respond. Most notably:

- Social Housing Act (2023)
- Building Safety Act (2022)
- Changes in EPC standard to re-let properties.

The revised contracts will take into account these changes.

The decision on how the repairs service should be delivered in the future must be measured against our main principles for the service:

- Customer satisfaction – Improves the customer journey including, flexible appointments, high rates of first visit completions and clear communication.
  - Value for money – fits within the framework of the HRA, delivers reduced visits per job, and improve voids turnaround times.
  - TSM compliant – can deliver year on year improvement in Tenant Satisfaction Measure (TSM) results.

- Help the local economy – creates jobs for local people and opportunities for local businesses to deliver our services.
- Local depot – provides a depot within Harrow to deliver the service.
- Ensure services are flexible and adaptable to change – build in control, flexibility and resilience to manage future change.
- Engages residents in service improvement

Tenant Satisfaction Measures (TSM) went live on April 2023. LBH will be required from April 2024 to report to the regulator the residents' satisfaction in several areas including repairs, safety checks and complaints. The results will be published annually and the Council will be included in a league table with other Registered Providers. TSM's are a move away from transactional surveys to perception surveys. Generally, when you move to perception surveys satisfaction tends to reduce as it can be based on several factors not just how good your last repair was.

- 2.4 The proposed timetable for the procurement of the new contracts will be fully compliant with procurement rules and allow for sufficient time to mobilise new contracts to coincide with the end date of existing contracts.
- 2.5 The condensed timeline for the new procurement is shown below: (this is an indicative timeline and may be subject to change)

Procurement Process	Schedule Start/ Due Date	End/Return Date
Publish UK Notice, Selection Questionnaire & ITT via the e-tendering portal	02/11/2023	02/11/2023
Clarifications Period	02/11/2023	10/11/2023
SQ Evaluation Period -short list up to the top 5	20/11/2023	30/11/2023
Moderation	01/12/2023	01/12/2023
Issued ITT to shortlisted Bidders (up to Max 5)	13/12/2023	22/01/2024
Tender Deadline and compliance checks	22/01/2024	22/01/2024
Tender Evaluation	23/01/2024	05/02/2024
Moderation	05/02/2024	05/02/2024
Section 20 Stage 2 Consultation	06/02/2024	07/03/2024
Internal Governance	06/02/2024	18/03/2024
Notification of Intention to Award	19/03/2024	19/03/2024

10 day Standstill Period – Alcatel Period	19/03/2024	29/03/2024
Award of Contract	01/04/2024	01/04/2024

2.6 A new specification for the repairs and voids service will be drafted to modernise the service in line with delivering on the key current issues:

- Minimising disrepair cases
- Addressing damp and mould within the properties
- Improving the EPC ratings of re-let properties.

2.7 The planning and amount of officer time required to ensure a new service delivers the level of service we need to provide to our residents is considerable. It is important the whole process is well planned and thought through to deliver the best outcomes.

2.8 Due to the Council's statutory obligations as a social landlord it is imperative, we have a maintenance contract in place to ensure the health and safety of our residents, including those that are elderly and vulnerable.

### 3. Options considered

In terms of the length, value and parameters of the new contracts an options appraisal was carried out to shape the new contracts.

#### 3.1 Contract length

Various time periods were considered for these contracts, but it was decided to opt for an 8-year term. An initial period of 4 years followed by two 2-year extension options.

The rationale for having a contract of this length was that it provided the following benefits:

- A longer-term contract offers a larger value of turnover to any potential service provider and hence will yield better value from the outset of the new contract.
- A service provider will have the commercial comfort to invest in a longer-term contract and be prepared to invest more properly from the outset to get the service right with a view to yielding a return over the span of the contract.
- There is a significant saving to the authority both in cost and time of having to go through new full procurements more regularly. Also, there will be less disruption to residents with having to change service providers less regularly.
- A longer term enables a better chance to develop successful working relationships with a service provider.

- A longer-term contract allows long term aspirations to be shared and road-mapped from the start between both parties giving a much better chance of success.

### **3.2 Scope of each the contract**

When considering the current contract and what elements should potentially be separated it is proposed to have one contract covering all repairs and voids work for the Borough.

In Addition to this main contract, it is the intention to award 2 separate contracts to run alongside this to cover via a pre-procured public framework

- Electrical testing to properties covering the 5 year rolling testing programme. This will cover communal/domestic and any identified capital works
- Water treatment works – covering all necessary legionella testing to water installations in Council owned properties. These scope of work looks at Water Risk Assessments and associated remedial works. The term of contract will be 5 years with an option to extend for 2 years

These contracts are proposed to be procured through existing frameworks which the Council can access.

### **3.3 Do nothing**

This is not an option due to the statutory nature of this service.

The re-procurement is essential to maintain service to residents.

Doing nothing is not an option, as failure to have a contract provision in place for the delivery of this integral service could result in a breach of Health and Safety Regulations and our statutory responsibilities as a social housing landlord, as well as in breach of our internal governance policies and Contract Procedure Rules.

## **4.0 Background**

- 4.1 In 2016, the Council let a 5-year contract to Slade and Wates to undertake the repairs and maintenance needs within the Council's domestic housing stock.
- 4.2 Within the contract that was awarded in 2016, there was an option to extend for up to another five years with delegated authority being awarded to the Divisional Director to approve an extension.

- 4.3 The maximum extension under the contract has been exhausted now. We have reviewed the current contract and what changes we need to make for the future contract taking into consideration changes in legislation.
- 4.4 This report follows on from the previous report requesting that Cabinet approve the current contract extension period. As above, new contracts are now required to be put in place as the extension is due to end in June 2024

Following on from the Asset Management strategy agreed at Cabinet January 2023, the service is aiming for a 'golden ratio' of service spend of at least 60% planned and preventative activities and 40% responsive activities, and that the direction of travel maintains a trajectory towards decreasing instances and the cost of responsive repairs. A key innovation in delivering this will be through incorporating up to £1m per annum of Capital planned works. The successful provider will from year two of the contract be required to submit an 'Annual Investment Plan' which based on intelligence from repairs volumes of the proceeding year demonstrates how through planned investment can reduce day to day repairs volumes and provide value for money to the Council.

## 5.0 **Current situation**

- 5.1 A brief internal assessment of the contract took place recently as a follow on from the Housing Quality Network (HQN) report carried out prior to the previous contract extension being awarded. The key themes of both of these exercises are expanded on below.

## 5.2 **Value for Money**

The HQN report has stated that value for money could have been improved on the current contract, rates were re-negotiated for the contract extension period to improve value for money.

- 5.3 The current market for repairs and voids main contractors is in a better position than it was immediately following the covid-19 pandemic but is still suffering from instability caused by high inflation and shortages in labour.
- 5.4 Ensuring that the new contract now covers the whole borough for repairs and voids, and is an 8-year term gives the Council the best chance to procure one of the larger contractors in the market place by presenting an opportunity of a good size of turnover and good longevity. Currently the repairs and voids service are split between 2 service providers and hence lower value for each organisation.
- 5.5 The benefits of attracting a larger organisation to tender for the new contract are largely aligned to them offering better value the other benefits are:

- The larger the volume of work offered under a new contract the better value service providers will consider when submitting prices.
- The larger the contract the more importance it will be from the service providers point of view and as a result they will put more emphasis on it being a success.
- A larger contract will attract the larger service providers who have better access to the limited resources and can support the contract with existing resources from other local contracts.
- A larger contract and hence large service provider will have better IT systems and be able to provide better data and integrate easier into the Councils IT. They will also have better Health & Safety and procurement systems.
- A larger service provider will have solutions to a range of problems that a smaller service provider may never have had to overcome.
- The potential cost to the Council from having to 'client' one service provider as opposed to two is in theory cheaper.

5.6 In terms of the method of valuing the new contracts it has been proposed that we continue to use a schedule of rates, the main reasons for using this method of valuing the works are below:

- Value for Money: Easiest way to demonstrate value for money as each task is priced against the original tender rate.
- Data: Because you are recording each repairs and voids task and the data capture in terms of what works are being done in each property is much more meaningful.
- Leasehold: It is the easiest way to capture data on what works have been done to pass on costs to leaseholders.
- More Repairs: The service provider need to generate more tasks to obtain a return and hence more repairs get completed. This is a key driver for helping reduce disrepair
- Specification: Using a well-defined schedule of rates makes it so much easier for clients to issue clear instruction to the service provider.
- IT: Often IT systems on both client and service provider side are driven by entering and using schedules of rates, not using them can result in costly work-arounds.

5.7 The new contract will be having an option so that service providers can carry out some planned works which arise from repairs or voids, it will be important to benchmark these costs against those offered by our planned maintenance service providers so the mechanism for moving planned into or out of the new contract works to the best value of the authority. It is intended to give the opportunity for the new supplier to tender for major from the HRA capital programme from year 2 of the new contract.

5.8 **Voids**



The proposed method for valuing the works done in void properties is to use the schedule of rates, this enables each task to be valued in line with the original tendered rates. The new contract will set out to ensure void properties are re-let in a good standard with one of the objectives to be not needing to go back to the property to carry out repairs. It will be important to have some sort of 'warranty period' for the works done so we aren't paying for repairs to be done on properties where we have paid out to bring the property to a good standard. A key part of the new contract will be improving the energy performance of void re-lets, from 1<sup>st</sup> April 2025 all new lettings will need to be Energy Performance Certificate (EPC) category C or above.

- 5.9 One of the key performance statistics will be to hold new service providers to account regarding void turn-around times.

A housing wide voids improvement group has already been formed to make some improvements and a number of initiatives have been implemented, such as appointing a single energy supplier, improvement of management arrangements and information management and monitoring overall.

#### 5.10 **Improvements to Contract Management**

The new contract will have new performance measuring KPI's which will be agreed with resident involvement and tailored to providing easy to assess meaningful statistics which are the most important outcomes for the residents. The KPI's form part of the specification.

- 5.11 The implementation of an IT system called Civica-CX will improve contract management and new service providers will be required to interface into this system. Controls around costs and service levels will be improved under this new IT system. Further asset management modules which are due to go live will integrate with the repairs and voids service. The call centre will also be able to use new front-end diagnostic software which should help with defining the required repairs from the outset of the reported repair.
- 5.12 LBH have already started to address some of the issues raised in the HQN report. For example, contract surveyors have had contract management training. In addition, there is a Quantity Surveyor resource based in the repairs team to check relevant job coding and invoicing
- 5.13 The Council's repairs team will continue to audit repairs by calling residents and post inspecting works following the completion of works.

The new contract will ensure all the service providers operatives have the most up to date handheld technology enabling live time planning and updates, so residents can be kept fully informed regarding the status of their reported repair.

#### **5.14 The customer experience**

The existing service does have some excellent practice. This includes a bi-monthly performance review meeting with contractors, staff and resident representatives who also carry out audits of contractor information and processes (on site at contractor's offices) to review order information, this will be continued under the new contracts.

As above, one of the key issues highlighted by residents was service providers having to return to complete works and the resident not being kept informed, service providers will be required to put in place systems which provide residents with key updates at each point of the repair.

5.15 It is important we continue to improve how residents can report repairs to the Council and that this can be done easily. Further reviews will take place to ensure all modern communication methods are fit for purpose and that the call centre is operating in line with expectations.

5.16 HQN also advised that more data collection should take place at the initial call centre point of contact. Where possible Civica-CX will be designed to pick up issues of service provider performance such as recalls, missed appointments and unsatisfactory works.

A lack of this information also limits the data intelligence required to put the appropriate service development in place. Again, it should be noted that call centre staff are also not helped by the limitations of current systems and effective diagnostic tools (which are due to be upgraded).

5.17 Improvements are being made with repairs staff providing detailed training sessions to call centre staff. We are examining recorded training sessions which will compensate for staff turnover in the call centre. We are also working jointly with our colleagues in the call centre to improve the service and data collection.

#### **5.18 Details of the New Contracts**

As set out above, it has been determined that the main repairs contract allow for specialist service providers to bid on the main repairs contract. The electrical service contract and the Water Hygiene works will be procured via a compliant framework. Increasing the size of the main repairs and voids contract to have one service provider covering the whole borough should attract the major bidders in the market place and hence provide best value. Below we outline the key objectives and focus points of the new contract.

#### **5.19 Key Objectives**

When designing the new contract, the following key objectives have been identified.

- Transparent and clear data on the repair condition of all properties, we need a repairs contract which has clear accurate data which can update our Asset Management Data.
- Transparent and clear data on cost and value. We need to use a repairs and voids pricing mechanism where we can clearly report back to residents on what their money is being spent on, and the we are spending it prudently. This includes designing a repairs service which prevents costly disrepair cases being brought against the authority.
- A responsive repairs service is often a source of complaints even when being run effectively. The new contract has to be very clear on how complaints are managed and how timescales around responses are to be adhered to.
- We need a responsive repairs service where we begin to incorporate the views of residents where possible.
- Probably most importantly we need a responsive repairs and voids contract which delivers good quality homes for our residents to live in.

## 5.20 Social Value

New service providers will be required to commit to social value outcomes and these need to be agreed in conjunction with the Council, and both parties will work on achieving these outcomes. It is clear that this investment in local jobs and businesses is vital as Harrow moves through the current period of economic uncertainty

Service providers will be expected to:

- Have a local base/depot.
- Employ a set number of apprentices at any time.
- Employ local residents where possible.
- Provide work placements each year
- Commit to at least £15,000 per year for community projects which are defined and agreed by resident groups.
- Commit to training opportunities for the Building Futures programme.

## 5.21 Carbon Reduction

Key to any new contract will be the requirement that from April 2025 all newly rented properties will need to be an EPC category C or above. And from April 2028 all existing rentals will need to be EPC category C or above. It is difficult to ascertain the impact on a responsive repairs contract going forward. There will almost certainly be in impact on the void budgets with increased decarbonisation works at this stage.

Prescribed costs should be included in the contract for the common works that will need to be carried out in order to improve the EPC ratings of dwellings. These will include:

- Loft insulation
- Cavity wall insulation
- Triple glazed windows.
- Floor insulation
- Heating controls, efficient boilers
- Solar PV installation on roof.

## 5.22 **Damp and Mould**

Harrow Council has like all other social landlords faced a sharp increase in cases of damp and mould cases since October 2022.

In any new contract we need to consider how the service provider needs to be motivated to resolve these cases promptly and with a long-term solution. The new contract needs to cover:

- Costs for installing air quality monitoring within dwellings.
- How damp and mould issues which require planned maintenance improvements are either completed or passed into a programme of works.
- Response times and costs for washing down mould from walls and ceilings using approved products.
- Costs for installing positive air flow systems into dwellings.
- Costs of any specific team assigned to deal with these cases.

## 5.23 **Performance Incentives.**

Imposing penalties on a responsive repairs and voids contract usually has the effect of deteriorating the relationship between client and service provider.

Often the service provider will work towards not incurring penalties rather than delivering the objectives of the service. A better option is to consider incentivizing service providers to consistently deliver on the key performance indicators.

When thinking about suitable levels of incentivization, the service provider will aim to return 3-5% profit on a contract like this one, so offering a realistic chance to increase this by 1-2% would provide an attractive option for the service provider. In this instance we would look to reward good performance financially and penalise the contractor should they perform poorly.

These incentives will be measured against the new Key Performance Indicators.

## 5.24 **Disrepair**

The Council needs to urgently combat the high costs associated with managing and settling disrepair cases. How best to prevent this are now a key driver when designing the new responsive repairs and voids service.

- **More means less:** Service providers need to do a set volume of repairs in order for the service provider to be able to make the contract work for them, authorities need to embrace the concept by encouraging all repairs to be done to combat disrepair, the authority needs to focus on the quality works being completed and it being valued correctly rather than what exact works needed doing in the first instance, this represents a broad change in philosophy but ultimately provides a more complete service and will yield better value over the course of the whole contract term.
- **Accessing all Properties:** A key part of a new contract will be the aim of attending every property within the first 12 months. Seeing, assessing and recording the repair condition of each property is the key task in managing disrepair. A recording system which captures assessment data from each visit needs to be set up so this all encompassing approach can take effect.
- **Using technology:** Similar to the damp and mould works, using air quality monitoring equipment can help flag when the condition of properties is failing. Also, we need to start using video to record non-access so this cannot be disputed.

## 5.25 **Information Technology**

The new service providers will be required to fully interface with Civica-CX and to have open and easy access to their systems to enable full transparency around cost and service.

Key IT features which will be necessary for the new service provider to implement are shown below:

- All operatives will carry a Personal Digital Assistant (PDA) for real time reporting and updates on repairs.
- Text alerts to be sent to residents at key point in the repair being carried out.
- Transparent performance data.
- Data analysis to pick up on repairs trends to better inform planned maintenance works.

5.26 The above may involve amendments to our repairs policy; we will need to define the type of relationship we want with a new service provider

and will need to engage with all key stakeholders around the changes above and ensure all views are incorporated.

External support (specialist consultants) will also need to be secured to assist in delivering such an exercise as well as considerable internal resources. This may come at a cost and will need to be built into future financial planning.

We will continue to comply with the Public Contract Regulations 2015 (amended) A robust and rigorous tender process will (as above) take at least a year to deliver. We would also require adequate time to effectively mobilise the contract to limit any post contract issues. With time contingencies built in this would provide a new contract go live date of July 2024.

### **5.27 Property Acquisition Programme (PAP)**

To meet the demand for temporary accommodation, the council has an approved programme to purchase properties on the open market, refurbish and let them as temporary accommodation. To date the council has purchased 167 properties for use as temporary accommodation, of which 70 are out of borough the majority of which are in Aylesbury.

Housing Services has an ongoing requirement to undertake void, disrepair work and repairs on both a responsive and planned basis for these properties acquired under the Property Acquisition Programme.

It is critical that the PAP empty properties are put back into use quickly and that Housing Services have capacity to undertake repairs, including specialist repairs as otherwise the Council incurs the cost of more expensive and less suitable B&B. Also the financial model for the PAP programme assumes properties will be let and rental income received to cover the cost of maintaining the homes. Lengthy void times will impact on the sustainability of the financial model so it is essential we are able to carry out works and let them as quickly as possible.

All associated PAP repair costs are recovered through the rents the properties generate.

It is proposed that the works for these PAP properties are included within the scope of the new Repairs and Voids contract proposed in this report.

### **5.28 Electrical Testing**

The Council must comply with Health and Safety regulations and legislation across its housing. Regarding electrical testing of domestic properties. The Council needs to urgently undertake at scale an Electrical Installation Condition Reports (EICRs) following on from a

notice received in March 2023 from the Regulator of Social Housing. EICRs are required at the start of the tenancy and periodically over a 10-year cycle – good practice is that this is done in five years. The total number of EICR's required is in the region of 4800 tenanted properties. The council will also be carrying out domestic communal area testing within blocks. There are 482 communal areas identified in our stock and we are currently 100% compliant in this area for this cycle of works. The council also carries out Portable Appliance Testing (PAT) across its sheltered schemes.

To ensure expediency a procurement Framework for Electrical Services was identified which permits the council to carry out a mini competition with ranked suppliers for Electrical services on the framework and the report is recommending their appointment.

In May 2023, LBH appointed WG Wigginton via direct award from the Public Procure framework to deliver the first tranche of 2000 EICR's up to March 2024. The intention is to now procure via a compliant framework to complete the remaining properties. By carrying out a mini competition we can ensure value for money before embarking on the next phase of works as well as future cyclical inspection costs within a 5 year cycle.

An EICR records the outcome of periodic testing of electrical installations. The process commonly involves a visual inspection of the electrical installations (e.g., broken power points) followed by a check of the integrity and function of the electrical installations (e.g., circuit tests).

## **5.29 Water Hygiene**

LBH manage the water hygiene of 17 sheltered schemes and 448 residential blocks. These have Water Risk Assessments (WRA's) completed anywhere between 2 and 5 years on a risk-based approach. We are currently 100% compliant on these assessments.

LBH would look to secure a 5 years plus1 plus 1 contract via a compliant framework. This arrangement of directly awarding compliance works to specialist contractors as opposed to a term repairs contractor sub-contracting the work will better value for money.

## **5.30 Section 20 – Qualifying works under long term agreement**

Where the long-term agreement includes provision for the carrying out of works to the property (for example, a schedule of rates agreement for general maintenance), and these works will result in a charge to any one leaseholder of more than £250, then a separate consultation must be carried out under the provisions of Schedule 3. The original consultation under Schedule 1 in respect of the agreement itself does not provide any exemption from consultation for the works.

Section 20 consultation will take place for any major electrical works identified on the capital programme. There is no requirement for section 20 consultation to take place for EICR and Water Risk Assessments and remedials.

## **6.0 Why a change is needed**

- 6.1 As discussed in Section 5 of the report, the previous contract that was procured was fit for service at the time but the new contracts can now offer the chance to review how the service can be improved to provide better service, satisfaction, value and care to Harrow's tenants.
- 6.2 There are also many technical innovations that we now need to consider, to provide a streamlined process to Harrow's residents, as well as ensuring that we are working towards continued value for money which is an essential consideration for a contract of this size. For example live appointment tracking

## **7.0 Implications of the Recommendation**

- 7.1 The implications of the recommendation have been discussed as above in Section 2, (Introductory paragraph), and at Section 5 (Current Situation). These have been summarised as below:
- We will continue to provide a statutory service to our tenants, some of those being those that are most in need/vulnerable, whilst embedding service improvements.
  - We believe that this new procurement will deliver the necessary modernisation and improvement to deliver essential services for up to another 8 years.
  - As discussed in Section 5 of the report there will be a new set of prices determined through the selection process and this may well result in higher prices for services being paid.
  - We will be engaging with our residents on the current Repairs policy and taking into account the Housing White Paper outcomes. Any changes or updates will require Cabinet approval and could take considerable governance and time to review and update.
  - In addition, we are gearing up for the installation of our new housing software Civica-CX, the new contracts will need to interface into this system.
  - We believe that this 4 years with options to extend to 8 years give the Council some long-term security around the service with the option to re-negotiate along the term.

## **8.0 Ward Councillors' comments**

- 8.1 In response to the Council's commitment to continue to provide a statutory repairs and maintenance service, there needs to be a modernisation of the service.



- 8.2 Some Improvements have been put in place already and will continue to be implemented throughout the remaining term of the existing contract and into the new procurement.
- 8.3 Some of the uncertainty in the market has eased following the pandemic and initial fuel crisis. We acknowledge however there is still uncertainty around high inflation and shortages of labour.

## **9.0 Environmental Implications**

It is the intention that the delivery of any new contracts will continue to contribute to the Council's objectives around social, economic and environmental sustainability. The Council intends to do all it can to ensure that its service providers continue to support Harrow's economy by encouraging spend locally wherever practical and maximise opportunities for local people in employment and training.

- 9.1 Environmental considerations have extra significance as the Council has declared a Climate Emergency. As such the Council have started moving towards ensuring carbon neutrality. With the Council declaring a Climate change emergency we will work together with all partners to ensure that measures we are putting in place are compliant with this policy, either by achieving carbon neutrality or energy efficiency in provision of materials transportation and recycling.
- 9.2 The new service providers will be required to sign up to the Considerate Contractor Scheme and once we are at the appropriate stage, our re-procurement conditions will ensure that tenders provide detailed information about their contribution to the environment and sustainability.
- 9.3 Specific requirements on social value will be discussed, agreed and delivered between resident services and Asset Management from the financial commitment to community projects contributed by the incumbent contractors. This will enable delivery of meaningful social value contributions within the borough.
- 9.4 Where practical the scheme will use products that will help reduce the Council's Carbon footprint. New service providers will be encouraged to engage with local businesses to ensure that materials purchased are manufactured ethically.
- 9.5 During 2023/24 we will also be liaising with the existing contractors about any potential for innovation for the duration of the new contract term that will feed into the Council's Climate emergency policy toward our goals of being carbon neutral by 2030.
- 9.6 The new contract amongst other objectives will:
- Monitor targets for employing apprentices and offering work placements and training opportunities to local young people.

- Review environmental performance in such areas of reduction of waste, reducing energy costs and reuse of products and materials.
- We will also explore further options for implementing the introduction of new technology to reduce our stock's carbon footprint.

## 10.0 Data Protection Implications

10.1 All personal data processed in connection with the contract will be carried out in full compliance with data protection laws including the Data Protection Act 2018 and UK General Data Protection Regulation.

## 11.0 Risk Management Implications

Risks included on corporate or directorate risk register? Yes

Separate risk register in place? **Yes**

The relevant risks contained in the register are attached/summarised below. Yes

The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
If the report's recommendations are not agreed, there may be insufficient time to appoint new contactors before the current contracts end creating a gap in services	<ul style="list-style-type: none"> <li>• If the recommendations are agreed this will mitigate the</li> <li>• Procurement timetable in place overseen by a Project Team in place for this procurement which is monitored weekly</li> <li>• Regular update of Portfolio Holders and Members</li> </ul>	<b>GREEN</b>
Statutory services are not discharged as a result of gaps in services created by the re-procurement exercise	<ul style="list-style-type: none"> <li>• See above</li> <li>• Procurement timetable in place overseen by a Project Team in place for this procurement which is monitored weekly</li> </ul>	<b>GREEN</b>
No suitable or acceptable or affordable tenders are received	<ul style="list-style-type: none"> <li>• Market engagement indicates there are sufficient number of interested suppliers in the market</li> <li>• Prior Information Notice published to the market in August 2023</li> </ul>	<b>GREEN</b>
The potential existence and implications of Reinforced Autoclaved Aerated Concrete (RAAC) have not been explored and identified in the re-procurement exercise	<ul style="list-style-type: none"> <li>• RAAC is a very specific risk and we have already got a statement and briefed members on it. A very small % of our stock is non-traditional concrete build and we haven't got any records of RAAC in social housing stock</li> </ul>	<b>GREEN</b>
The re-procurement does not fully comply with the Council's Procurement Regulations	<ul style="list-style-type: none"> <li>• Project Team in place with specialist procurement membership will ensure that this service is procured in accordance with the Council's Contract Procedure Rules and Public Contract Regulations 2015</li> </ul>	<b>GREEN</b>

<p>The new specifications required for the contracts are not fit-for-purpose and do not meet the requirements of the Council</p>	<ul style="list-style-type: none"> <li>• A Pre-Prescribed Schedule of Rates has been used to develop the specifications and this is a national industry standard</li> </ul>	<p><b>GREEN</b></p>
<p>The re-procurement specification fails to adequately define and evaluate value for money for the Council</p>	<ul style="list-style-type: none"> <li>• Comparative Schedule of Rates approach will enable Value for Money to be identified by capturing/identifying market rates via the re-procurement</li> <li>• The Schedule of Rates are monitored and managed by the Repairs Team on the ground and on the job to ensure quoted process are adhered to</li> </ul>	<p><b>AMBER</b></p>
<p>Critical success areas for the contract have not been identified and are not evaluated as part the re-procurement exercise</p>	<ul style="list-style-type: none"> <li>• The Procurement documentation includes these areas which are voids, IT integration, de-carbonisation, social value, contract management, customer complaints and customer experience and KPIs and these will be evaluated as part of the re-procurement</li> </ul>	<p><b>GREEN</b></p>
<p>The financial and technical viability of tenderers and also their overall and wider suitability to provide services to the Council is not evaluated as part of the re-procurement</p>	<ul style="list-style-type: none"> <li>• These will be evaluated at the selection questionnaire stage and the Invitation to Tender stage</li> <li>• We also run Dunne and Bradstreet enquiries to evaluate suppliers in these areas</li> <li>•</li> </ul>	<p><b>GREEN</b></p>
<p>The 4-5 year initial contract periods are overly front-loaded in terms of the contract period, and this de-incentivises the contractors to perform well early in the contract and also prevents the Council from exiting the contracts quickly should poor contractor performance or other factors warrant this</p>	<ul style="list-style-type: none"> <li>• Our contract management and monitoring protocols will address any potential for this in the early years of the contract and beyond</li> <li>• We will also take advice from Legal Services on the contract</li> </ul>	<p><b>GREEN</b></p>
<p>Residents are not adequately engaged or consulted on the re-procurement and the exercise does not include and deliver on their expectations as residents or customers of the service</p>	<ul style="list-style-type: none"> <li>• Leasehold Sect 20 consultation will be undertaken in relation to the tenders</li> <li>• We will also be consulting with resident forums</li> <li>• Resident and Leaseholder involvement will be undertaken in quality assessment of the tender submissions</li> </ul>	<p><b>GREEN</b></p>
<p>Repairs costs are adversely affected by limited investment in stock</p>	<ul style="list-style-type: none"> <li>• Stock condition survey has taken place.</li> <li>• Stock performance appraisal will be delivered over the next few months followed by consideration of options for stock investment.</li> <li>• Ensure Capital Programme Delivered</li> </ul>	<p><b>AMBER</b></p>
<p>Contract management may not be effective leading to poor financial and service management</p>	<ul style="list-style-type: none"> <li>• Client led control on contract management.</li> <li>• validating contract performance data</li> <li>• call centre service delivery and improvements (i.e., more data collection at point of contact).</li> <li>• Contract management training for surveyors focussing on expenditure.</li> <li>• Implementation of a revised Key Performance Indicator (KPI) in collaboration with business intelligence colleagues.</li> <li>• Updating to Civica CX system will inform of more real time data that will be utilised to inform of trends/issues.</li> </ul>	<p><b>AMBER</b></p>

	<ul style="list-style-type: none"> <li>• Controls in place to prevent job building – re disrepair jobs</li> </ul>	
Voids cost and turnaround times are high	<ul style="list-style-type: none"> <li>• Processes are being re-examined by voids improvement group to reduce turnaround times both internally and within contractual arrangements.</li> <li>• A housing wide voids improvement group as above has been formed to make improvements to the current process and a number of initiatives have been implemented to reduce turnaround times, such as appointing a single energy supplier.</li> <li>• Controls in place to review contract specs prior to works commencing</li> </ul>	<b>AMBER</b>
Lack of compliance contracts	<ul style="list-style-type: none"> <li>• Maintain the council’s Health and Safety compliance with electrical services and water hygiene services to be procured from public frameworks going forward</li> </ul>	<b>AMBER</b>
Moving from 2 Providers to Single provider. Business Continuity Plan if contract is failing	<ul style="list-style-type: none"> <li>• Contract will attract larger suppliers who can provide greater resource throughout the borough</li> <li>• Engage with compliant Repairs &amp; Maintenance Frameworks</li> <li>• Transfer all works orders and Works in progress to new contractor to maintain smooth flow of delivery</li> </ul>	<b>GREEN</b>

## 12.0 Procurement Implications

12.1 The Council will run a competitive procurement process in accordance with the Councils Contract Procedure Rules and the Public Contract Regulations 2015 to procure the Repairs and Voids Contract. It has been agreed that the Restricted Procedure will be followed, this is a two-stage process.

12.2 In March 2024 the Council will access a compliant framework to procure the Electrical Services and Water Hygiene Contracts

12.3 The Procurement Team will support the service area and ensure the future award is made in compliance with relevant governance and demonstrates value.

## 13.0 Legal Implications

13.1 As a social landlord, the Council has statutory obligations to ensure appropriate repairs and maintenance of its housing stock is undertaken to enable it to meet that statutory duty.

13.2 The Council has a statutory duty under the Landlord and Tenant Act 1985 as amended, to consult with leaseholders in relation to the re-

procurement of these works and services. The 2-stage consultation will need to be completed prior to the award of the contract.

- 13.3 The proposed contracts are subject to the Public Contracts Regulations 2015 (“PCRs”) as their estimated value is above the financial threshold for public works and public services under the PCRs. The Procurement team have indicated that a Restricted Procedure and access to Framework Agreements will be used to procure the proposed contracts. These procedures are compliant procurement routes under Regulations 28 and 33 of the PCRs.
- 13.4 The award of the contracts to any new service provider may constitute a relevant transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”). So, as part of the tender exercise the Council should as far as possible facilitate the exchange of relevant employment liability information to fulfil transparency duties although the employment obligations under TUPE will be the responsibility of the incoming and outgoing service providers.
- 13.5 The Council’s Contract Procedure Rules provide that any procurement for contract with a value over £500,000 requires cabinet approval, which is the authorisation sought under this report.
- 13.6 In accordance with the Council’s Contract Procedure Rules, any call-off contract documentation will be checked and finalised by HB Public Law in consultation with relevant authorised officers. The proposed terms and conditions for the Repairs and Voids contract will be based on the JCT Measured Term Contract 2016 (with suitable amendments), which is a tried and tested contract widely used in the industry, for the delivery of repair and maintenance works and services.

## **14.0 Financial Implications**

- 14.1 The 2023/24 Housing Revenue Account Repairs, Maintenance and Voids budgets total £4.49m and the 2023/24 HRA budgets for Electrical Testing and Water Hygiene total £0.67m i.e. £0.37m and £0.30m respectively.
- 14.2 The HRA Responsive Budgets were increased in real terms by £0.666m in 2023/24 to address staffing resource issues and pressures such as damp, mould and disrepair costs.
- 14.3 Sufficient monies were also included in the 2023/24 Budget to address the compliance regimes, both to support the current approaches and to address the future requirements flowing from the Fire Safety Act 2020, and the Building Safety Act 2022 and Fire Safety (England) Regulations 2022, including the likely need for a bi-annual check of all fire doors and improved building safety information. Running in parallel will with the be 3-year capital works programme and aligned with the

new Asset Management strategy will move to a 60/40 planned to responsive spend ratio over the next 3-5 years.

- 14.4 The table below shows the 2023/24 HRA Budgets for 4 and 5 year from 2024/25. The budget value for R&M and Voids at year 4 is £17.96m and the value at year 5 for Electrical and Water Testing is £2.59m. The R&M and Voids profile for additional years is expected to remain the same so an additional two-year budget equates to £9.98m and a total of £35.92m for eight years.
- 14.5 The annual values for electrical testing will vary according to the cycle of inspections and will range from £0.190m to £0.240m per year. The Water Testing is £0.270 pa from 2024/25.
- 14.6 The figures do not include any contractual price increases which will be factored in to the HRA 2024/25 budget update.

HRA Budgets	2023/24 Budget	2024/25	2025/26	2026/27	2027/28	4 year Budget Value	5 year Budget Value
	£ m	£ m	£ m	£ m	£ m	£ m	£ m
*All responsive R&M works	3.44	3.44	3.44	3.44	3.44	13.76	17.19
Void property works including clearance costs	1.05	1.05	1.05	1.05	1.05	4.20	5.25
<b>Total Responsive and Voids</b>	4.49	4.49	4.49	4.49	4.49	17.96	22.44
<b>Electrical Testing</b>							
EICR individual - catch up 2023/24 and 2024/25	0.30	0.31	0.12	0.12	0.12	0.67	0.79
EICR Communal	0.00	0.00	0.05	0.05	0.00	0.10	0.10
PAT Testing	0.07	0.07	0.07	0.07	0.07	0.28	0.35
<b>Total EICR Budgets</b>	0.37	0.38	0.24	0.24	0.19	1.05	1.24
<b>Water Testing</b>							
Sheltered	0.14	0.14	0.14	0.14	0.14	0.56	0.70
Street Properties / Flushing £10k per month (additional works 2023/24)	0.16	0.13	0.13	0.13	0.13	0.52	0.65
<b>Total Water Testing</b>	0.30	0.27	0.27	0.27	0.27	1.08	1.35
<b>ECIR and Water Testing</b>	0.67	0.65	0.51	0.51	0.46	2.13	2.59
<b>Total budgets</b>	5.16	5.14	5.00	5.00	4.95	20.09	25.03

#### 14.7 Responsive Repairs and Voids

The responsive repairs budget was increased in real terms by £666k to £3.44m in 2023/24 and indications are that pressures including damp, mould and disrepair are being contained within budget. These budgets are demand led and as such controls will need to be in place in the new contract arrangements to contain any overspends within available resources whilst not compromising statutory responsibilities to our residents.

The Voids budget of £1.05m includes clearance costs as well as R&M but not capital works including decarbonisation. Where these are

identified as part of the works to be completed they will be met from the Planned Investment and Decarbonisation Capital budgets which are £8.28m and £1.0m for 2024/25.

The new supplier will have the opportunity to bid for capital works from year 2 onwards up to a value of £1m based on performance

#### 14.8 **Property Acquisition Programme**

Housing Services has an ongoing requirement to undertake void, disrepair work and repairs on both a responsive and planned basis for the 167 properties acquired under the Property Acquisition Programme.

The financial model for the PAP programme assumes properties will be let and rental income received to cover the operational cost of maintaining the homes. The target net income budget for 2023/24 is £1.645m.

All associated PAP repair costs are to be recovered through the rents the properties generate.

It is proposed that the works for these PAP properties are included within the scope of the new Repairs and Voids contract proposed in this report.

#### 14.9 **Electrical Testing**

All EICR for individual properties are expected to be complete by the end of 2024/25 to address the current backlog. The assumption from 2025/26 is that all properties are then inspected every 5 years. The actual phasing and expenditure may vary according to number of void properties (where an inspection is carried out) and risk assessments for those properties with vulnerable residents.

EICR for communal areas are factored in to take place every 5 years over two years from 2025/26 and 2026/27.

The cost shown do not include remedial works which will be met from the responsive repairs budget or capital budgets in the case of major rewires when they arise.

#### 14.10 **Water Hygiene**

This covers monitoring and maintenance (M&M) temperature testing, flushing across communal schemes and cleaning of showers which are mandatory. Issues with water flushing highlighted in 2023/24 are included in the budgeted figure to ensure compliance with regulations and best practice.

Currently this work is sub-contracted by the existing contractor due to its specialist nature. Under the new contract arrangements this work will be awarded directly to a specialist contractor and therefore be better value for money.

## **14.11 Inflation and Economic Factors**

Due to recent high inflation, high fuel costs and shortages in labour following Brexit, it is likely that all service providers in this field have increased their prices for delivering their services. It is important we design a cost tendering exercise which enables us to ensure we have obtained the best rates for this size of contract that we can whilst staying within the budgeted resources available.

### **Cost review**

14.12 The contract needs to build in fixed dates where benchmarking against market rates is completed, to ensure the contract continues to demonstrate value across the term. The 2 extensions also offer a chance to re-assess prices.

14.13 The service needs to ensure there is a robust contract management process in place, ensuring adequate training is provided where necessary, monitoring contractor performance against spend and that the results of this are fed into the Council monthly reporting cycle.

## **15.0 Equalities implications / Public Sector Equality Duty**

The contract extension will continue to deliver on existing policies and strategies maintaining the current level of equality in service provision. The contract specification will be very clear on the equalities related duties on contractors, given the wide range of needs of our customers.

## **16.0 Council Priorities**

Below we have identified how the decision sought will deliver on some of the Council's priorities:

The new contract will capture and deliver on the key council priorities:

A council that puts residents first

A borough that is clean and safe

A place where those in need are supported

### **16.1 Improving the environment and addressing climate change**

- As previously stated in Section 5 of this report, the re-tendering will take into account modernisation (use of appropriate technology) related to Climate Change and will encourage implementation of relevant measures in response to the Council's declared Climate Emergency.



- As the re-procured contract would run until 2032 we will be working jointly with the incumbent contractors to agree on ways to implement relevant measures in response to the Council's declared Climate Emergency.

## **16.2 Addressing health and social care inequality**

The new contractors will have to continue to deliver existing policies and strategies maintaining the current level of equality in service provision.

Going forward, for the re-procurement exercise, the contract specification will be very clear on the equalities related duties on contractors, given the wide range of needs of our customers including Aids and Adaptations repairs within the HRA.

The specification for the contract will ensure that the successful contractor is equipped to provide a high level of customer service to all our residents.

## **16.3 Thriving economy**

Section 5 of the report discusses current social value initiatives and further commitments that new service providers will need to commit to under the new contracts. This demonstrates that the new service providers will need to be proactive in engaging with Harrow Council's Community Engagement strategy, and their financial commitment will help to drive and deliver meaningful social value initiatives across the borough.

New service providers will be required to use local suppliers (wherever possible) to ensure a high percentage of their supplier spend is in Harrow.

### **Section 3 - Statutory Officer Clearance**

**Statutory Officer: Tasleem Kazmi**

Signed on behalf of the Chief Financial Officer

**Date: 25/09/2023**

**Statutory Officer: Sonia Kounasso**

Signed on behalf of the Monitoring Officer

**Date: 25/09/2023**

**Statutory Officer: Lisa Taylor**

Signed on behalf of the Head of Procurement

**Date: 22/09/2023**

**Statutory Officer: Neale Burns**

Signed on by the Head of Internal Audit

**Date: 25/09/2023**

**Statutory Officer: Dipti Patel**

Signed by the Corporate Director

**Date: 27/09/2023**

**Has the Portfolio Holder(s) been consulted? Yes**

### **Mandatory Checks**

**Ward Councillors notified: YES, as it impacts on all Wards**

**EqIA carried out:**

**YES** An overarching EQIA was undertaken for the programme Directorate Equality Task Group.

**EqIA cleared by: (DETG) Chair**

## **Section 4 - Contact Details and Background Papers**

**Contact:** Rukshan Kariy, Head of Asset Management,

**Background Papers:**

**Call-in waived by the Chair of Overview and Scrutiny Committee: NO**