

Item No.	Classification: Open	Date: 27 February 2024	Meeting Name: Strategic Director of Finance
Report title:		Gateway 3 – Variation Decision Housing Aids and Adaptations Contracts (North, Middle and South)	
Ward(s) or groups affected:		All	
From:		Director of Asset Management	

RECOMMENDATIONS

That the Strategic Director of Finance:

1. Approves the variation of Contract A (north of the borough) Housing Aid and Adaptation to Property Facilities Group Ltd to extend the term of the contract for a period of up to 12 months (aiming to use 11 months from 1 April 2024 to 28 February 2025) at an estimated additional cost of £459k, making a total revised estimated contract value of £1.759m.
2. Approves the variation of Contract B (middle of the borough) Housing Aid and Adaptation works to Spokemead Maintenance Limited to extend the term of the contract for a period of up to 12 months (aiming to use 11 months from 1 April 2024 to 28 February 2025) at an estimated additional cost of £366k making a total revised estimated contract value of £1.64m.
3. Approves the variation of Contract C (south of the borough) Housing Aid and Adaptation works to BuildTrust Limited to extend the term of the contract for a period of up to 12 months (aiming to use 11 months from 1 April 2024 to 28 February 2025) at an estimated additional cost of £366k making a total revised estimated contract value of £1.466m.

BACKGROUND INFORMATION

4. A Gateway (GW) 2 report was approved on 21 December 2020 to award the three Housing Aid and Adaptation contracts.
5. Contract A (north of the borough) was awarded to Property Facilities Group Ltd (PFG) for an initial period of three years commencing on 1 April 2021 at an estimated annual cost of £500k with no option to extend making a total estimated contract value of £1.5m.
6. Contract B (middle of the borough) was awarded to Spokemead Maintenance Limited (Spokemead) for an initial period of three years commencing on 1 April 2021 at an estimated annual cost of £400k with no option to extend making a total estimated contract value of £1.2m
7. Contract C (south of the borough) was awarded to BuildTrust Limited (BuildTrust) for an initial period of three years commencing on 1 April 2021 at an estimated annual cost of £400k with no option to extend making a total estimated contract value of £1.2m

8. The scope of the contracts (Contracts A, B and C) encompasses the following work streams:
- Installation of level access showers and all associated works including plans;
 - Installation of wet rooms and all associated works including plans;
 - Mixer tap and thermostatic showers;
 - Lever taps;
 - Window, flooring and door alterations;
 - Concrete ramps/portable ramps;
 - Half steps; and
 - Galvanised and mop stick rails.
9. The geographical split of the borough (north, middle and south) provide all of the works noted at paragraph 8 above across the current three contracts as: Contract A (north) Borough and Bankside, Bermondsey and Rotherhithe areas. Contract B (middle) Camberwell and Walworth areas. Contract C (south) Nunhead and Peckham Rye, Dulwich and Peckham areas each providing all of the works noted at paragraph 8 above.
10. The contracts contain the provision for PFG, Spokemead and BuildTrust to provide back-up to each other on their tendered rates that ensures that the council is able to meet its obligations to residents.
11. The actual expenditure to date against the original GW2 approval is shown below in tables to illustrate the financial year and contract year expenditures:

Contract A (North) - PFG				
Financial Period		Original Gateway Approval	Total Expenditure Contract A	Actual spend against Capital North
01/04/2021	31/03/2022	£500k	£468k	£468k
01/04/2022	31/03/2023	£500k	£473k	£473k
01/04/2023	31/09/2023*	£250k	£109k	£109k
Total Actuals		£1.25m	£1.05m	£1.05m
Projected Expenditure to				
01/10/2023	31/03/2024	£250k		
Projected Expenditure for proposed extension period				
01/04/2023	31/10/2024	£459k		
Total of the Actual and Projected Expenditure for period 01/10/2023 to 31/03/2024 and the Proposed extension		£1.759m		

*Pro rata

Contract B (Middle) - Spokemead
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Financial Period		Original Gateway Approval	Total Expenditure Contract B	Actual spend against Capital Middle
01/04/2021	31/03/2022	£400k	£416k	£416k
01/04/2022	31/03/2023	£400k	£425k	£425k
01/04/2023	04/10/2023*	£200k	£233k	£233k
Total Actuals		£1m	£1.074m	£1.074m
Projected Expenditure to				
01/10/2023	31/03/2024	£200k		
Projected Expenditure for proposed extension period				
01/04/2023	31/10/2024	£366k		
Total of the Actual and Projected Expenditure for period 01/10/2023 to 31/03/2024 and the Proposed extension		£1.64m		

*Pro rata

Contract C (South) - BuildTrust				
Financial Period		Original Gateway Approval	Total Expenditure Contract C	Actual spend against Capital South
01/04/2021	31/03/2022	£400k	£432k	£432k
01/04/2022	31/03/2023	£400k	£338k	£338k
01/04/2023	4/10/2023*	£200k	£130k	£130k
Total Actuals		£1m	£900k	£900k
Projected Expenditure to				
01/10/2023	31/03/2024	£200k		
Projected Expenditure for proposed extension period				
01/04/2023	31/10/2024	£366k		
Total of the Actual and Projected Expenditure for period 01/10/2023 to 31/03/2024 and the Proposed extension		£1.466m		

*Pro rata

12. Contract A currently has a capital expenditure of around £41k per month. Taking into account previous spend on this contract (£1.05m), anticipated spend until 31 March 2024 (£200k) and a new 11 month extension at current expenditure (£292k) will provide a total revised estimated contract value of £1.759m.

13. Contract B currently has a capital expenditure of around £33k per month. Taking into account previous spend on this contract (£1.074m), anticipated

spend until 31 March 2024 (£200k) and a new 11 month extension at current expenditure (£233k) will provide a total revised estimated contract value of £1.64m.

14. Contract C currently has a capital expenditure of around £33k per month. Taking into account previous spend on this contract (£900k), anticipated spend until 31 March 2024 (£200k) and a new 11 month extension at current expenditure (£233k) will provide a total revised estimated contract value of £1.466m.
15. This report is seeking the Strategic Director of Finance approval to extend all three existing contracts with PFG (Contract A), Spokemead (Contract B) and BuildTrust (Contract C) to ensure service continuity whilst a new longer-term procurement exercise is completed and new contracts are put in place.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

16. The nature of the proposed variation is to extend the term with PFG (Contract A), Spokemead (Contract B) and BuildTrust (Contract C) for a period of 11 months. The revised expiry date will therefore be 28 February 2025.

Reasons for Variation

17. This variation will ensure and enable the council to maintain continuity of the housing aids and adaptations contracts pending completion of its new procurement exercise in February 2025, of which further details are outlined in paragraph 21 below.
18. The reason for the extensions is that as a social housing landlord it is essential that the council meets its obligations to ensure the provision of housing aids and adaptations works to its housing properties and has a duty of care to deliver welfare services which includes adaptations to the homes of vulnerable residents.
19. All three contractors are demonstrating high levels of performance in terms of quality work evidenced on their work orders under their contracts. They also continue to provide a value for money service with rates consistent with the market.
20. Notice to vary the contracts was provisionally discussed with PFG, Spokemead and BuildTrust and if this GW3 report is approved, this variation will form part of their contracts and these extensions will be effected through deeds of variation.
21. The contracts have an end date of 31 March 2024. If this GW3 report is approved for the extensions detailed in paragraphs 1 to 3 above, the extension provisions to the contracts will be implementable. Once implementable, the contract extensions will mean that the contracts would continue from 1 April 2024 until 28 February 2025. Estimated timetable for new procurement is as follows:

- GW1 – January 2024
- Issue PAS91 Pre-Qualification Questionnaire (PQQ) – February 2024
- PAS91 PQQ return – April 2024
- PAS91 PQQ Evaluation – April 2024 to May 2024
- Issue Invitation to Tender (ITT) – May 2024
- Tender return – June 2024
- Tender Evaluation – June 2024 to August 2024
- Council approval decision – August to November 2024
- Contract award – November 2024
- Mobilisation/TUPE – November 2024 – February 2025

Future Proposals for this Service

22. The new procurement process is currently underway. On 16 October 2023, the GW1 report for the procurement of three housing aids and adaptations works contracts was presented to DCRB prior to approval. The anticipated date for the Find a Tender Service (FTS) Contract Notice and publication of the Opportunity on Contracts Finder to be published is 20 February 2024.

23. An extension of the contracts to 28 February 2025 is being sought to ensure continuity in providing housing aids and adaptations across the borough to the existing contracts whilst the procurement exercise is completed and new contracts are awarded.

Alternative Options Considered

24. The following alternative options to these extensions were considered by the specialist services manager and the asset management procurement team (AMPT) manager:

25. Do nothing - not viable for the reasons set out in paragraph 18 above.

26. Bring the service back in-house – not viable as the council lacks sufficient resources (such as qualified and experienced personnel and equipment) to be able to deliver the service in-house.

27. Tender new contracts – this is currently underway as set out in paragraph 22 above. However this new procurement exercise will not be complete prior to these existing contracts expiring on 31 March 2024.

28. Extend the existing contracts to 28 February 2025 (subject to no slippage) – this is proposed to ensure continuity in providing housing aids and adaptations to vulnerable residents across the borough to the existing contracts whilst the procurement exercise is completed and new contracts are awarded.

29. As a procurement exercise will be underway in February 2024 to procure three new contracts to be awarded in November 2024, extending the existing contracts to February 2025 is proposed to ensure continuity in providing housing aids and adaptations to vulnerable residents across the borough.

Identified risks for the Variation

30. The table below identifies the specific risks associated with these contracts, the likelihood of occurrence and the controls in place to mitigate the risks:

R/N	Risk	Likelihood	Risk Control
R1	PFG, Spokemead and/or BuildTrust become insolvent leaving works incomplete	Low	The three separate contracts contains the provision to act as back-up to each other. Please see financial checks in paragraph 53 below. PFG, Spokemead and BuildTrust are paid on the basis of a monthly valuation dependent on the quantity of work claimed. Should they become insolvent, they would only be paid for the work they complete. These monthly claims and payments help mitigate the risks involved of company failure. PFG, Spokemead and BuildTrust continue to be regularly monitored.
R2	PFG, Spokemead and/or BuildTrust are unable to fulfil the requirements of the contract e.g. poor performance, leading to the need to terminate the contract.	Low	The council will use the backup provisions in the contracts. If all three contractors fail then the council would procure alternative work provision on an interim basis whilst it procures a longer term contract. The Alcumus Safecontractor approved list of contractors would be used to distribute the works required. Alternatively, an external framework may be accessed.
R3	Risk of disruption to supply chain following UK's departure from the European Union (EU).	Low	Contract managers and quantity surveyors continue to liaise with the three contractors regarding their supply chains in respect of tariffs, administration costs and budgetary impacts. Contract managers continue to liaise with three contractors to ensure that measures are taken to ensure continuous component supply where they are obtained from the EU.
R4	Inflation	Low	The contract terms includes Building Material Indices and individual exceptional cases are reviewed on their own merit. The prices will be fixed for the

			duration of the extensions.
R5	Possible risk of procurement challenge	Low	Given this is a short term interim extension and a new procurement exercise will be undertaken where interested parties can bid coupled with the need for the council to ensure and maintain continuity of the housing aids and adaptations contracts, as a social landlord, the risk of procurement challenge is low.

Policy framework implications

31. The extension to these contracts will assist the council to continue to fulfil its duties as a landlord and employer providing housing aids and adaptations to vulnerable residents.

Contract management and monitoring

32. The council's contract register publishes the details of all contracts over £5,000 in value to meet the obligations of the Local Government Transparency Code. The Report Author must ensure that all appropriate details of this procurement are added to the contract register via the eProcurement System.

33. The three contracts will continue to be managed by the specialist services contract manager with in-house building surveyors and the three contractors who will carry out joint inspections, to ensure quality and compliance with the agreed schedule of works and their contract.

34. The contract manager continues to be assisted by a commercial team quantity surveyor to ensure financial integrity, compliance and performance management in regards to measuring key performance indicators (KPIs), carrying out credit checks and continuing with monthly valuations and progress meetings.

35. All three contracts are subject to KPIs based on the time to complete work orders. The table below shows the KPIs set for the contracts:

No.	Key Performance Indicator (KPI)	Minimum Target Percentage %	Council's Aspirational Target Objective %	PFG 2022/23 Actuals %	Spokemead 2022/23 Actuals %	BuildTrust 2022/23 Actuals %
1.	Customer Survey Satisfaction rating	98	100	90	100	95

No.	Key Performance Indicator (KPI)	Minimum Target Percentage %	Council's Aspirational Target Objective %	PFG 2022/23 Actuals %	Spokemead 2022/23 Actuals %	BuildTrust 2022/23 Actuals %
4.	Percentage of Planned Works completed on time	95	98	100	100	95

36. Whilst both PFG's and BuildTrust's performance on KPI 1 is less than the minimum target, they both demonstrate high levels of performance in terms of quality work evidenced on their work orders under these contracts despite issues on other contracts that they work on.

37. As all works issued under Contracts A, B and C are planned works and not responsive, KPIs 2 (Right First Time) and 3 (Percentage of Priority Code 0 to 3 Orders completed within the stipulated time periods) should not have been included in the Preliminaries document as they are not applicable.

38. During the proposed extension period, the contract management will continue to ensure work orders are completed to the existing high quality and within stipulated timeframes.

39. Officers will also continue to produce an annual performance report for the Housing Departmental Contracts Review Board in line with the council's Contracts Standing Orders (CSO).

**Community, equalities (including socio-economic) and health impacts
Community impact statement**

40. These contracts are of a medium to high impact to residents and other stakeholders as these works will be done internally to deliver installation of varying equipment to assist residents who have a physical impairment.

41. PFG, Spokemead and BuildTrust have confirmed that they are able to meet the requirement of the Fairer Future Procurement Framework and this will be reported as part of the ongoing annual performance review.

Equalities (including socio-economic) impact statement

42. These adaptation works will help vulnerable individuals and families to meet their housing needs and live as independently as possible and enjoy the full use of their homes independently without assistance.

Health impact statement

43. The aids and adaptation installations are required to deliver welfare services which includes adaptations to the homes of vulnerable residents.

Climate change implications

44. PFG, Spokemead and BuildTrust will ensure waste materials are disposed of in accordance with the law and council policies to minimise the impact on the environment, and reduce exposure to landfill tax and other disposal costs.

Social Value considerations

45. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well-being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

46. The full cost to the council and the life span of the contract is set out in paragraph 1 to 3 of this report. London Living Wage (LLW) is paid under these contracts.

Social considerations

47. PFG, Spokemead and BuildTrust have confirmed that all relevant staff continue to be paid in excess of the minimum London Living Wage hourly rate and will continue to comply with council policies relating to General Data Protection Regulations (GDPR), Blacklisting, Modern Slavery, Health & Safety and Equalities.

48. PFG, Spokemead and BuildTrust were required to provide two week slots for one student per annum for local school work experience for administration work during the term of their contracts.

49. Spokemead has provided work placements for two Southwark Council residents from Construction Youth Trust (CYT) in April 2023.

50. PFG has provided a work placement for one apprentice carpenter.

51. BuildTrust has provided a work placement for one apprentice in the last year.

52. This report is seeking approval for an 11 month extension and PFG, Spokemead and BuildTrust will be required to provide local school work experience for administration work for two students for each contract as all three contractors have not provided the required social value as detailed in paragraph 48 above.

Environmental/Sustainability considerations

53. The use of sustainable materials to the appropriate British Standards is confirmed as applied by all contractors and verified through material

specifications as reviewed by our building surveying team. These are assessed on each case at design stage of all works on all three contracts.

54. Currently, Spokemead have two full electric vans and another electric van on order. PFG has one full electric vehicle in their fleet and BuildTrust have two hybrid vehicles and are leasing two electrical vehicles.

55. PFG, Spokemead and BuildTrust ensure the waste materials are disposed of in accordance with the law and council policies to minimise the impact on the environment, and reduce exposure to landfill tax and other disposal costs.

56. PFG, Spokemead and BuildTrust seek to reuse/repurpose any materials where possible in accordance with the British standards.

Financial Implications

57. The contract value including and excluding VAT is:

Contract A (north) PFG	Cost excluding VAT	Cost inclusive of VAT
Original total cost	£1.255m	£1.506m
Total value of any previous variations	£0	£0
Value of proposed variation	£459k	£551k
Revised total cost	£1.759m	£2.111m

Contract B (middle) Spokemead	Cost excluding VAT	Cost inclusive of VAT
Original total cost	£1.274m	£1.529m
Total value of any previous variations	£0	£0
Value of proposed variation	£366k	£439k
Revised total cost	£1.64m	£1.968m

Contract C (south) BuildTrust	Cost excluding VAT	Cost inclusive of VAT
Original total cost	£1.1m	£1.32m
Total value of any previous variations	£0	£0
Value of proposed variation	£366k	£439k
Revised total cost	£1.466m	£1.759m

58. The total combined spend for the variation of the three contracts is made up as follows:

- Capital £1.19m
- Total £1.19m

59. The capital budget for 2023/2024 is £1.6m.
60. The contracts will be extended using the same prices as originally tendered.
61. The level of activity is anticipated to be maintained at previous levels.
62. Bureau van Dijk (BvD) FAME financial checks were carried out for PFG, Spokemead and BuildTrust on 22 December 2023 with the following results:

	PFG	Spokemead	BuildTrust
Credit Score	Stable	Stable	Secure
Likelihood of failure	low	low	low

63. The AMPT Contracts Compliance Officer monitors changes to the financial status via alerts from BvD FAME and Companies House. No significant alerts noted for PFG, Spokemead or BuildTrust.

Legal Implications

64. Please see the supplementary advice from the Assistant Chief Executive – Governance and Assurance below.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance H&M 23/083

65. This report seeks approval from the Strategic Director of Children and Adult Services for the extension of three area based housing aids and adaptations contracts as outlined in this report. Although the estimated combined cost of the contract extension is £1.2m, the actual cost will be determined by both the overall priorities of the council's Housing Investment Programme and the resources available to fund it.

Head of Procurement

66. This report seeks approval from the Strategic Director of Housing to vary three contracts for the Housing Aid and Adaptation Contracts with a) Property Facilities Group Ltd b) Spokemead Maintenance Limited c) Buildtrust Limited, all for a period of 12 months from 1 April 2024 at a combined cost of approx. £1.2m making the total combined spend £4.86m.
67. The Strategic Director of Finance notes the reasons for the variations are detailed in paragraphs 16 to 21, the risks are detailed in paragraph 30, management and monitoring of the contracts are detailed in paragraphs 32 to 39, the impact on equalities, health and climate change are detailed in paragraphs 42 to 44, confirmation of the payment of London Living Wage is detailed in paragraph 47 and social value commitments are detailed in paragraph 52.

Assistant Chief Executive – Governance and Assurance

68. This report seeks the approval of the Strategic Director of Finance to the variation of Contract A Housing Aid and Adaption works being performed in the north of the borough by Property Facilities Group Ltd, Contract B Housing Aid and Adaption works being performed in the middle of the borough by Spokemead Maintenance Ltd and Contract C Housing Aid and Adaption works being performed in the south of the borough by BuildTrust Ltd, all to be extended by a period of up to 12 months (although the council is aiming to use 11 months from 1 April 2024 to 28 February 2025) and for the sums outlined in paragraphs 1 to 3 of this report.


69. This report sets out the extent of the variations and the reasons why the extensions are necessary. As the total value of the proposed variation is £1m or more but below £10 million, the decision to approve the variations are reserved to the Strategic Director of Finance after consideration by the Corporate Contract Review Board of this report.

70. As the contracts have been extended beyond their anticipated contract period, it is necessary to consider any possible risks. The contracts are not subject to the Public Contracts Regulations 2015 (PCR15) tendering requirements for works contracts due to their low value, and the extension values also falls below the PCR15 threshold. The contracts are being extended for a short period to allow the longer term procurement exercise to be carried out, and accordingly the risk of challenge to these variations are considered low.

71. Contract Standing Order 2.3 requires that no steps be taken to vary a contract unless the expenditure involved has been included in approved estimates, or is otherwise approved by the council. Paragraphs 56 to 62 confirms the financial implications of these variations.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

Under the powers delegated to me in accordance with the council’s contract standing orders, I authorise action in accordance with the recommendation(s) contained in the above report (and as otherwise recorded in Part B below).

Signature	
Date	29 April 2024
Designation	Strategic Director, Finance

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers

- 2) Any non-key decisions that are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available (see 'FOR DELEGATED DECISIONS' section of the guidance).

1. DECISION(S)
As set out in the recommendations of the report.

2. REASONS FOR DECISION
As set out in the report.

3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION

4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION *

* Contract standing order 6.6.1 states that for contract Variations with an Estimated Contract Value of £100,000 or more, the lead contract officer (LCO) must consult with the relevant cabinet member before the decision is implemented.

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST
<i>If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.</i>

6. DECLARATION ON CONFLICTS OF INTERESTS
I declare that I was informed of no conflicts of interests.*
or
I declare that I was informed of the conflicts of interests set out in Part B4.*
(* - Please delete as appropriate)

7. CONSIDERATION GIVEN TO WHETHER, AS A NON-KEY DECISION, THIS SHOULD BE FORWARDED TO THE CONSTITUTIONAL TEAM FOR PUBLICATION IN ACCORDANCE WITH REGULATION 13(4)*
<i>The decision taker should consider whether although a non-key decision, the decision is sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available. Where there is any doubt, having considered the importance and/or sensitivity of a decision, it should be deemed that Regulation 13(4) would apply.</i>

I consider that the decision be made available for publication under Regulation 13(4).*

or

I do not consider that the decision be made available for publication under Regulation 13(4).*

(* - Please delete as appropriate)

* Under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the council is required to put in place a scheme for recording and publishing some officer executive decisions. This process is sometimes referred to as "Regulation 13(4)".

BACKGROUND PAPERS

Background Papers	Held At	Contact
GW2 Housing Aids and Adaptations Contracts (North, Middle and South)	Housing, Asset Management	Gavin Duncumb Ext 50685
Link: G:\Asset Management\00 Engineering Procurement\2024 Housing Aids & Adaptations (HAT)\2020 HAT Long Term\6 Gateway 2		

APPENDICES

No	Title
None	

AUDIT TRAIL

Lead Officer	Dave Hodgson Director of Asset Management (AM)	
Report Author	Sarah Buchanan- Asset Management Procurement Team Manager	
Version	Final	
Dated	27 February 2024	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance	Yes	Yes
Head of Procurement	Yes	Yes
Assistant Chief Executive – Governance and Assurance	Yes	Yes
Director of Exchequer (for housing contracts only)	No	No
Cabinet Member	Yes	Yes

Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional/Community Councils/Scrutiny Team		Date/Month/Year e.g. 5 July 2020