

Item No. N/a	Classification: Open	Date: 24 July 2019	Meeting Name: Cabinet Member for Housing Management and Modernisation
Report title:		Gateway 3 – Variation Decision Professional Technical Services Contract	
Ward(s) or groups affected:		All	
From:		Director of Asset Management	

RECOMMENDATIONS

1. That the Cabinet Member for Housing Management and Modernisation approves the variation of the first Professional Technical Services contract to Calfordseaden LLP to extend the term of the contract for a period of 12 months from 1 May 2019 (as further detailed in paragraph 15) at an estimated additional cost of £3m making a revised estimated contract value of £18.6m for six years and six months.
2. That the Cabinet Member for Housing Management and Modernisation approves the variation of the second Professional Technical Services contract to Potter Raper Ltd (formerly Potter Raper Partnership) to extend the term of the contract for a period of 12 months from 1 May 2019 (as further detailed in paragraph 15) at an estimated additional cost of £2m making a revised estimated contract value of £7.35m for six years and six months.

BACKGROUND INFORMATION

3. On 30 September 2013 the deputy leader and cabinet member for housing management approved the award of two Professional Technical Services contracts. The first contract was awarded to Calfordseaden LLP (CS) for a period of four years at an estimated annual value of up to £1.125m with the provision for two extensions, each of up to three years. The second contract was awarded to Potter Raper Ltd (PRL) for a period of four years at an estimated annual value of up to £0.125m with the provision for two extensions, each of up to three years.
4. The contracts provide professional technical services, in particular to the major works team in housing. This team is responsible for the delivery of the majority of the housing capital programme. A vigorous selection process took place on the basis of best value and only CS and PRP met the minimal quality criteria. The firms supply services including surveying, quantity surveying, clerk of works, and structural engineers.
5. Following approval to exercise the options to extend and to increase the contract value in line with the approved capital programme, the current contracts have an end date of 30 April 2019 following approvals to effect the extension provisions contained within the contracts on 20 April 2014, 6 August 2015 and 10 November 2017.
6. This report is seeking approval for a twelve month extension to both the CS and PRL contracts to ensure service continuity for known programmes and any urgent matters which may arise for the period 2019/20 and 2020/21.

7. It should be noted that Potter Raper Partnership changed its legal status from a partnership to a limited company (now Potter Raper Ltd) on 17 December 2018. A separate GW3 report was approved on 21 May 2019 to effect the novation from Potter Raper Partnership to Potter Raper Ltd.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

8. The nature of the proposed variation is to exercise the option in the contracts with CS and PRL to be extended for a period of 12 months. The revised completion date will be 30 April 2020. The reason for the extension is to allow for the new Professional Technical Services framework to be procured. Due to the volume of expressions of interest received (over 600) the team are currently evaluating the standard selection questionnaire (SQ) and currently the framework is anticipated to be in place by early 2020.
9. The estimated value of the proposed variation to the CS contract is not be expected to exceed £3m, and the PRL contract is not expected to exceed £2m at this stage as they are only intended for use until the new framework is in place and/or for urgent work. Almost all the known programmes for 2019/20 and 2020/21 have already been let and the intention is to use the extension to deal with urgent works requirements and also to progress design work on the 2021/22 Quality Homes Investment Programme (QHIP). The QHIP programme is approximately £70m, although not all the works (for example, individual heating boilers) require outside technical services, but the initial commissions will only be to stages such that the new professional technical services firm(s) could take over the contracts. If the completed programmes are combined with the actual value of those approved in the initial contract term for CS, such as additional spend, previous contract extension value and estimated value of this proposed variation of initially £10.05m, (which then increased to £16.8m and then down to £15.6m). The value of this last variation to the CS contract as a percentage is therefore estimated to be at most 23% even if the full extension was used. For the PRL contract the percentage increase would be at most 37% even if the full extension were used.
10. The CS contract has spends of approximately £8.1m (inclusive of commitments this stands at approximately £14.1m). A breakdown of spend to date is detailed in the table below. It should be noted these may increase dependent on the final works carried out on Ledbury Estate.

Contractor	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Calford	£1,208,4	£1,658,1	£1,770,65	£1,469,01	£2,006,44	£8,112,6
Seaden	18	05	3	4	9	39

11. The PRL contract has spends of approximately £3.9m (inclusive of commitments this stands at approximately £4.9m.) A breakdown of spend to date is detailed in the table below.

Contractor	2014/15	2015/16	2016/17	2017/18	2018/19	Total
Potter Raper	£662,996	£1,425,950	£469,357	£505,000	£853,079	£3,916,382

Reasons for Variation

12. The services delivered through these contracts enable the council to deliver its housing asset management strategy and in particular QHIP. It should be noted although the approval is nominally extended no orders have been given outside of the current approval period.
13. CS and PRL's level of performance is covered in paragraphs 21 and 22.
14. A variation to CS's and PRL's current contracts has been provisionally agreed with them which will form part of their contract which will be executed through a deed of variation. Should the framework be in place sooner than the revised completion date of 30 April 2020 an early termination clause will be drafted and included in each deed of variation so the new Professional Technical Services framework can be used as soon as it is let.
15. Both contracts have an end date of 30 April 2019 unless the extension provisions are effected. Since 1 May 2019 no new orders have been instructed and none will be placed with either CS or PRL until approval is obtained for these variations and the variations are implemented. Once implementable, the contracts will continue from their current end date until 31 April 2020. The report seeks approval for these variations for one key reason. The key reason is the uncertainty around dates for the procurement of the new professional services contracts. This is now expected to be as follows:
- Project Board sign off - August 2019
 - Issue ITT – August 2019
 - Open Days – August 2019
 - Tender return - September 2019
 - Tender Evaluation – September 2019 – December 2019
 - NOPs January 2020
 - Cabinet decision - February 2020
 - Feedback sessions March 2020 and contract awards
16. The Key Performance Indicators (KPI's) for the year were collected in April 2019 and both of them have performed sufficiently to consider an extension is appropriate.

Future Proposals for this Service

17. It is anticipated that the new Professional Technical Services framework will enable the new combined asset management section to use the various Lots which can cover all the technical services support required for services including

major works, day to day repairs, voids, engineering works etc. and possibly new build schemes.

Alternative Options Considered

18. At this stage of the contracts, two other options were considered but rejected for the following reasons:
- 1) 'Call-off' from a third party framework - these cannot be used as leaseholders were not specifically consulted on the framework proposals.
 - 2) Bring the service back in-house – the necessary skills and knowledge are not available in-house as an economically viable package.

Identified risks for the extension

19. The table below identifies the risks associated with this extension, the likelihood of occurrence and the control in place to mitigate the risks:

R/N	Risk Identification	Likelihood	Risk Control
R1	CS and PRL are not able to deal with new workload.	Low	CS and PRL have sufficient staff to continue the contract.
R2	Challenge from leaseholders.	Low	The original consultation with home owners was for a possible ten year contract, so it is extremely unlikely there would be a challenge to this proposed extension. Home owners are aware this is a possible ten year contract and had the opportunity to advise firms to make an application to participate through the EU procurement process.
R3	CS or PRL ceases trading, go into administration or liquidation.	Low	A financial check was undertaken on 7 May 2019 of CS and they are low risk with a credit rating of 93%. The Commercial Team (Procurement) in Asset Management have carried out required background checks on PRL as part of the novation approval process.
R4	Other firms challenge the decision	Low	This is very unlikely given that there is a clear process in place for the new procurement.

Policy implications

20. The professional services contracts help deliver on one of the council's Fairer Future commitments, that of providing quality kitchens and bathroom for all residents.

Contract management and monitoring

21. The performance of CS and PRL and any commitments made in their bids is monitored by the Investment team. The Investment team ensure that each time that CS and PRL are instructed, they follow the works brief for the scheme and are involved in the consultation process with residents. The Investment Team also ensure that they follow the timetable for the scheme and ensure that the works are carried out to the set quality on site by the successful contractors. Each Project Manager in the Investment Team or other departmental officers using the contracts, provide a quarterly monitor on the performance of both. There are specific KPIs in each contract in the areas of time, cost and quality.
22. KPIs are produced for asset management staff concerning their performance on a quarterly basis and these show that both CS and PRL are performing well in terms of both quality, value for money, health and safety and timeliness. There are only two main areas of concern and that is with pre tender estimates for both, and the need to evaluate all tender return details, not just the lowest ones for CS, and these are being resolved. Tight control is kept on costs and savings and almost all contracts have come within contract sums. This will be particularly closely monitored as the contract nears completion with monthly monitoring at regular contract and project manager meetings. In order to ensure that their performance is maintained during this extension period, monthly meetings will be held with CS and PRL senior management to monitor their performance.
23. The spend and performance on the contracts is monitored by the Director of Asset Management and reported regularly to the repairs and major works core group led by the Lead Cabinet Member for Housing Management and Modernisation. Although the contract can cover a range of projects within the council, in practice it has been mainly designed and used for the works run by the Investment team and priority will therefore be given to those programmes, although other departments within the council will be able to use the contracts if capacity is available. Their performance will be monitored especially closely as the contract nears completion to ensure they maintain a high level of performance. Performance review reports will go to Departmental Contract Review Board (DCRB) every six months and Corporate Contracts Review Board (CCRB) annually.

Community Impact Statement

24. Having a consistent set of professional service firms working in the borough has improved the quality of service and has also helped CS and PRL to ensure that, in particular with the major works partnering contractors, that they work comprehensively with the community.

Social Value considerations

25. 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 delivered are set out below.

Economic considerations

26. There are no specific economic considerations to this report.

Social considerations

27. CS and PRL employees and those of their subcontractors are paid in accordance with the London Living Wage and have equality policies that conform to the council's standards. The application of these policies is revised for compliance as part of the contracts' annual review. Each of them is required to employ apprentices and provide training and employment opportunities for Southwark residents. They must comply with the requirements of the Employment Relations Act 1999 (Blacklists) Regulations 2010 (the Blacklists Regulations) and shall ensure that they will not during the Term/Contract Period/provision of the Works be a party to or concur in any discriminatory employment practice which could be construed as blacklisting or boycotting any person who has sought employment with the contractors in breach of the Blacklists Regulations. CS and PRL have offered work experience placements, worked with schools, and gone to training and employment fairs to encourage Southwark residents to work for them. CS had one apprentice from Southwark who has now moved on to another company and another Southwark resident who has a job at CS after gaining work experience with them. PRL have employed a Southwark resident and have been to Southwark Careers Fairs, school events and provided work experience. Both will continue with their programmes during the extension period.

Environmental/Sustainability considerations

28. There are no specific sustainability/environmental considerations at this stage.

Financial Implications

29. The CS and PRL contract has spends and commitments of approximately £15.m so total spend is currently well within the total contract values, although this may vary depending on the future plans for Ledbury Estate. The majority of their work is funded from the QHIP programme so funds are available for both contracts in coming years.
30. The costs for the Professional Technical Services contracts will be charged to the respective projects.

Legal Implications

31. Please see the concurrent from the Director of Law and Democracy.

Consultation

32. There was extensive consultation with leaseholders as part of the statutory process. In addition, a tenants' and a residents' representative were on the final tender evaluation panel as part of the consultation process with Tenants Council and Home Owners Council.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

33. This report is seeking approval to vary the two existing professional technical services contracts with Calfordseaden LLP and Potter Raper Partnership for 12

months at an estimated cost of £3m and £2m respectively. These contracts were let in September 2013 to deliver professional consultancy services for construction related projects mainly delivered through the major works programme within the Housing and Modernisation department.

34. A series of GW3 reports have previously been approved, April 2014, August 2015 and November 2017 to allow for additional services and expenditure to be delivered through the contract due to a substantial changes in volume of work in the housing capital programme. The report explains the rationale for utilising the final extension allowed in the contract, namely that a new professional technical services framework is in the process of being tendered and is expected to be in place for March 2020.
35. The report confirms that the performance of both consultants has been satisfactory but also raises some areas where standards and practices requiring improvement in the final year. The governance arrangements in place should ensure that key performance areas covering quality, value for money, health and safety and timeliness is maintained.

Director of Law and Democracy

36. This report seeks the approval of the Cabinet Member for Housing Management and Modernisation to 2 professional technical services contracts which are being performed by Calfordseaden LLP and Potter Raper Ltd (formerly Potter Raper Partnership). This report sets out the extent of the extensions and the reasons why extensions of 12 months are necessary. As the values of the proposed variations are between £2-4m, the decision to approve these variations is reserved to the relevant cabinet member after consideration by the CCRB of the report.
37. The nature of these variations is such that they are subject to the tendering requirements of the Public Contracts Regulations 2015 (PCR 2015). Regulation 72(1)(a) of PCR 2015 allows the council to vary the current contracts as this option was provided for in the initial procurement documents and does not alter the overall nature of the contracts. Paragraph 14 confirms that modifications will be made (as agreed with the contractors) to the current contracts. Regulation 72(1)(b) allows the council to include these modifications as long as they do not alter the overall nature of the contracts which they will not.
38. CSO 2.3 requires that a variation decision may only be made if the expenditure involved has been approved. Paragraphs 28 and 29 of this report confirms the financial implications of these variations.

Strategic Director of Finance and Governance (H&M 19/031)

39. This report seeks approval to vary the Professional Technical Services contracts awarded to Calfordseaden LLP and Potter Raper Ltd by extending the terms of the contracts by a further 12 months at an estimated cost of £3m and £2m respectively. The Strategic Director of Finance and Governance notes the reason for the extension is to allow time for the new Professional Technical Services framework to be procured and the need to ensure service continuity in the interim. Work undertaken during the extension period will be on existing contractual terms and the costs will be met from resources funding the Housing Investment Programme; the financial implications of which are set out in paragraphs 28 and 29 of this report.

Director of Exchequer

40. These qualifying long term agreements were subject to statutory consultation under the Section 20 Landlord and Tenant Act 1985 (as amended). The notices served in 2013 identified the contractual allowance for an extension beyond the initial four year term, of two periods of three years. This extension falls within the terms that were consulted on and no further action is required with regard to Section 20 consultation.
41. With regard to performance, it is noted that the consultants are closely monitored on cost control, and largely bring contracts in within the budget. From a leasehold perspective it is important that costs are also monitored on a block by block basis, and for spend between chargeable and non chargeable work

BACKGROUND PAPERS

Background Papers	Held At	Contact
Gateway 2 'open' report – Professional Technical Services Contract	Chief Executive's – 160 Tooley Street	Everton Roberts, 0207 525 7221
Gateway 3 'open' report –Professional Technical Services Contract (April 2014)	Chief Executive's – 160 Tooley Street	Everton Roberts, 0207 525 7221
Gateway 3 'open' report –Professional Technical Services Contract (August 2015)	Chief Executive's – 160 Tooley Street	Everton Roberts, 0207 525 7221
Gateway 3 'open' report –Professional Technical Services Contract (November 2017)	Chief Executive's – 160 Tooley Street	Everton Roberts, 0207 525 7221

APPENDICES

No	Title
None	

AUDIT TRAIL

Lead Officer	Michael Scorer, Strategic Director of Housing and Modernisation	
Report Author	David Hodgson, Director of Asset Management	
Version	Final	
Dated	23 July 2019	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Director of Exchequer	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		23 July 2019