

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 18 August 2020	<b>Meeting Name:</b> Strategic Director of Housing and Modernisation
<b>Report title:</b>		<b>Gateway 3 – Variation Decision</b> Void Works for Traded Services Contract A, B and C	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Head of Asset Management	

## RECOMMENDATIONS

1. That the Strategic Director of Housing and Modernisation approves the variation of the Void Works for Traded Services Contract A to BCS (Electrical And Building Services) Ltd (BCS) to extend the term of the contract for a period of 12 months from 1 September 2020 at an estimated additional cost of £900,000 making a total estimated contract value of £1,659,955.
2. That the Strategic Director of Housing and Modernisation approves the variation of the Void Works for Traded Services Contract B to GC Construct Ltd (GCC) to extend the term of the contract for a period of 12 months from 1 September 2020 at an estimated additional cost of £900,000 making a total estimated contract value of £1,499,472.
3. That the Strategic Director of Housing and Modernisation approves the variation of the Void Works for Traded Services Contract C to Sandersons Building Services Ltd (Sandersons) to extend the term of the contract for a period of 12 months from 1 September 2020 at an estimated additional cost of £900,000 making a total estimated contract value of £2,733,329.

## BACKGROUND INFORMATION

4. On 1 October 2018, Environment and Leisure's Traded Services (TS) division became responsible for delivering all in-house repairs and voids for tenant properties. TS consist of 3 business units: Southwark Building Services (SBS), Pest Control and Asset Management Services (AMS).
5. On 14 June 2019, the Strategic Director of Environment and Leisure approved a Gateway 2 report to award the following TS void works contracts:
  - Contract A to BCS for an estimated annual sum of £350,000 for a period of 1 year;
  - Contract B to GCC for an estimated annual sum of £340,000 for a period of 1 year; and
  - Contract C to Sandersons for an estimated annual sum of £310,000 for a period of 1 year
6. The contracts each provide the following works borough wide:
  - Repair Works to void properties (including cleaning and gardening works)
  - Decorative works to void properties
  - Electrical works to void properties
7. The three contracts commenced on 2 September 2019 from the proposed date of 1 July 2019 which was approved in the Gateway 2 report to allow for award and mobilisation.

8. On 7 April 2020, cabinet approved the “Repairs Service Improvement Plan” which had a number of recommendations including:
  - a. removing the client / contractor split;
  - b. quarterly reporting on progress; and
  - c. transferring SBS from Environment and Leisure to Housing and Modernisation.
9. On 13 May 2020, as part of the transfer, officers within asset management division carried out a review of the SBS supply chain and presented a report to the Strategic Director of Housing and Modernisation noting a number of risks. One of the risks was that three TS void back up contracts were due to expire on 1 September 2020 leaving insufficient time available to re-procure and recommended that these current contracts be extended.
10. The actual expenditure to date against the original Gateway 2 approval is shown below to illustrate the contract expenditures:

<b>Void Works for Traded Services - Contract A, B and C</b>				
<b>Contractor</b>	<b>Original Gateway Approval</b>	<b>Actual Expenditure to 30 Jun 2020</b>	<b>Estimated Expenditure to 1 Sep 20</b>	<b>Estimated and Actual Expenditure</b>
BCS	£350,000	£342,935	£67,020	£409,955
GCC	£340,000	£210,862	£48,609	£259,472
Sandersons	£310,000	£1,234,607	£288,722	£1,523,329
<b>Totals</b>	<b>£1,000,000</b>	<b>£1,788,405</b>	<b>£404,351</b>	<b>£2,192,756</b>

11. The estimated annual expenditure in the original gateway approval was based on the anticipated use of contractors by TS as part of bringing the repairs service in-house. The actual expenditure with contractors in proceeding months and their level of activity has subsequently increased. Whilst expenditure on Contracts A and B is closer to that estimated, Contract C has increased markedly in value
12. This increased expenditure is due to less void work being carried out by in-house employees than originally estimated. The vast majority of void work given to SBS is allocated to external contractors.
13. The increased expenditure with Sandersons is due to their greater capacity for works compared to BCS and GCC. At the commencement of the contracts, BCS and GCC were slow in their mobilisation of resources and training of administrative staff. BCS and GCC were awarded other contracts with TS to deliver temporary accommodation voids resulting in them being less able to deliver general needs void work than originally expected. Sandersons successfully acted in a backup role for BCS and GCC to deliver the void works in the timeframes required.
14. This GW3 report is seeking the Strategic Director’s approval for a 12month extension to 31 August 2021 to all three contracts to ensure that the council can deliver void works in a timely manner whilst a longer term procurement exercise is

carried out and to help cover any potential delays in completing the new procurement.

## **KEY ISSUES FOR CONSIDERATION**

### **Key Aspects of Proposed Variation**

15. The nature of the proposed variations is to extend the term and increase the value of the contracts with BCS, GCC and Sandersons to £5,892,756. The revised completion date will therefore be 31 August 2021.

### **Reasons for Variation**

16. As the council is a landlord, it is essential that it has the capability to deliver void works across the borough to manage its housing stock; to ensure resident and other user health and safety; and to reduce financial and reputational risks. Homelessness during this current pandemic increases the risk of infection to both the homeless person and the wider community in which they live. The time to complete and let void properties has a major impact on reducing homelessness and the associated financial pressure of short-term accommodation.
17. Voids turn around times have a major impact on reducing homelessness and financial pressure of bed and breakfast accommodation. This is of special note during the current Covid-19 pandemic.
18. All contractors are demonstrating good levels of performance in terms of time to complete and the quality of work evidenced within the voids. They also continue to provide a value for money service with lower rates than previous contractors.
19. A variation to the three contractors' contracts has been provisionally agreed with them which will form part of their contract which will be executed through a deed of variation. The contractors have confirmed that they are happy to receive a shorter notice period than the 6 months that would usually be given under their contracts.

### **Future Proposals for this Service**

20. Asset management will prepare a procurement strategy for new void contracts following consultation with residents' services. As there is uncertainty around the new procurement strategy and the dates for the new procurement exercise a GW1 report will be prepared and presented for approval in Winter 2020 when this is established.

### **Alternative Options Considered**

21. The following alternative options to this extension were considered:
  - **Do nothing** – this is not a viable option for the reasons set out in paragraph 16 above.
  - **Bring the service back in-house** – whilst it was the intention that SBS deliver void works by in-house operatives, as this has not been realised to-date, this is not a viable option at present.
  - **Competitively tender** – this is not a viable option as there is insufficient time available to re-procure contracts.

- **Use external framework** – whilst there are external frameworks for voids available such as South East Consortium (SEC), this is not a viable option as there is insufficient time available to join and carry out a tender process.

### Identified risks for the Variation

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

R/N	Risk	Likelihood	Risk Control
R1	BCS, GCC and/or Sandersons cease trading, go into administration/ liquidation.	Low	<p>The contracts contain the provision for the contractors to act as backup for each other. If all contractors cease trading, then the council's works approved list will be used whilst re-procuring the contract(s).</p> <p>The council has undertaken a financial FAME check and BCS scored 20, GCC scored 31 and Sandersons scored 23. The financial stability of the organisations will be monitored throughout the contract through the contract management process</p> <p>Contractors are paid on the basis of a monthly valuation dependent on the quantity of work claimed. If BCS, GCC and/or Sandersons should cease trading, they would only be paid for the work they complete. These monthly claims and payments help mitigate the risks involved of company failure.</p>
R2	One or more contractors are unable to fulfil the requirements of the contract e.g. poor performance, leading to the need to terminate the contract.	Low	<p>The council will use backup arrangements within the contract. If all contractors fail then the council's Approved list of contractors will be used to distribute the works whilst contracts are re-procured. Alternatively, an external framework could be accessed.</p>
R3	Covid-19 pandemic risks	Low	<p>All 3 contractors were contacted by asset management to ensure that they are able to access support services during the Covid-19 pandemic.</p> <p>BCS, GCC and Sandersons are being monitored for any change in trading status via alerts from Companies House and the BvD FAME databases.</p>

### Covid-19 implications

23. In March 2020, in response to the Covid-19 crisis, asset management carried out financial checks on all contractors to identify potential risks. The contract managers

contacted each contractor to ensure that appropriate action was being taken to ensure the health and safety and welfare of employees, client and members of the public.

24. The work being carried out currently in void properties excludes contact with residents and the general public. There is sufficient space for operatives to work within a property whilst maintaining social distancing. Contractors' staff has been working safely with these conditions since the Covid-19 pandemic began and is experienced in using necessary PPE and practising safe distancing on site.

**Policy implications**

25. The works provided through these contracts will contribute to the council's Fairer Future Promise of quality affordable homes, improving housing standards and revitalising neighbourhoods.

**Contract management and monitoring**

26. The contracts will continue to be managed by an SBS contract manager with a team of dedicated service managers who carry out daily joint inspection to ensure quality and compliance with the contracts and specifications. They will be joined by a quantity surveyor to assist with performance management in regards to measuring key performance indicators (KPIs), carrying out credit checks and continuing with monthly progress meetings.

27. The KPIs which formed part of the contract are laid out below. These have not been effectively measured and recorded. The time taken to complete each void and the quality of the work at handover were meeting target standards from accommodation and support division prior to the Covid-19 pandemic.

NO	Key Performance Indicator	Minimum Target Percentage %
1.	Variations to void order below 10% original value	90%
2.	Snagging completed prior to handover meeting	90%
3.	Percentage of Priority Code 1 and 3 Orders completed within the stipulated time periods.	95%
4.	Average Completion Days for all non priority orders (Days)	15

28. During the proposed extension period there will be improved contract management through the integration of a quantity surveyor to the SBS voids team. Their role will be to ensure accurate monitoring and management of the contracts is being carried out by the team.

**Community Impact Statement**

29. With regard to the council's duties under the Public Sector Equality Duty, it was considered that no individual/group was disadvantaged, either in the procurement process or following award of contracts.
30. These contracts will be of medium to low impact to tenants, as they provide quality homes for tenants who are transferring properties or being decanted due to regeneration within the council housing portfolio.

### **Social Value considerations**

31. 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 were included in the tender.

### **Economic considerations**

32. The full cost to the council and the life span of the contracts are set out in paragraph 15 of this report. To date the actual expenditure for the year has been more than the initial approved value as set out in paragraph 10 above.

### **Social considerations**

33. The three contractors have their own Equal Opportunity Policy and are fully aware of and are compliant with the council's own Equal Opportunity Policy.

34. The three contractors have confirmed that all relevant staff continues to be paid the minimum London Living Wage hourly rate and comply with council policies relating to GDPR, Blacklisting, Modern Slavery, Health & Safety and Equalities.

35. Each contractor was to provide two week slots for one (1) student per annum for local school work experience for administration work and each to provide opportunity for one (1) apprenticeship for the duration of the initial term of the contracts. These have not been met during the initial term of the contracts but will be pursued as part of the proposed extension.

### **Environmental considerations**

36. The contracts encouraged the use of low emission vehicles and the minimisation of journeys needed. Mopeds have been used across site visits instead of larger vehicles and grouping of the void works localities have reduced the number of journeys.

37. The use of the council's e-procurement system ProContract 3 limited the amount of paper used and use of postal services during the procurement process.

### **Financial Implications**

38. The total value of the contracts including any previous variations is £5,892,756.

39. The contracts will be extended using the same prices as originally tendered. Any changes in spend will be dependent upon the quantity of work ordered through these contracts.

40. The level of activity is anticipated to be maintained at previous levels and spend will be distributed across the three contracts.

41. The SBS operational deficit for 2019/20 was £4.3m not including one off costs. There is currently a heavy reliance on back up sub-contractors. Analysis shows that 87% of void works value being undertaken by back up sub-contractors.

### **Legal Implications**

42. Please see the supplementary advice from the Director of Law and Democracy.

## Consultation

43. Not applicable.

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

### Strategic Director of Finance and Governance (FIN1199)

44. The Strategic Director of Finance and Governance notes that the pricing of sub-contracted services remains unchanged and as such there are no further budgetary pressures arising from this report.
45. Also noted in para 41 that SBS is operating with an operational deficit. This deficit is met from the HRA and should be included in present and future forecasting to ensure prudent financial management and future budget planning.
46. Cabinet approved the transfer of SBS to H&M to remove the client / contractor split. The SBS improvement board should therefore review the administrative and financial arrangements between SBS and the rest of H&M to promote improved efficiency and effectiveness of the repairs service.

### Head of Procurement

47. As the values of the intended variations are below £2m for works, a procurement concurrent is not required.

### Director of Law and Democracy

48. As the values of the intended variations are below £2m for works, a legal concurrent is not required.

### Director of Exchequer (for housing contracts only)

49. Not required.

## 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.

Signature 

Date 28 August 2020

**Michael Scorer, Strategic Director of Housing and Modernisation**

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

- 1) All key decisions taken by officers

- 2) Any non-key decisions which are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available.

<b>1. DECISION(S)</b>
As set out in the recommendations of the report.
<b>2. REASONS FOR DECISION</b>
As set out in the report.
<b>3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION</b>
<b>4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION</b>
<b>5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST</b>
<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>
<b>6. DECLARATION ON CONFLICTS OF INTERESTS</b>
I declare that I was informed of no conflicts of interests.* or <del>I declare that I was informed of the conflicts of interests set out in Part B4.*</del> (* - Please delete as appropriate)

#### BACKGROUND PAPERS

Background Papers	Held At	Contact
Southwark Building Services – review of supply chain and procurement options	Housing & Modernisation, Asset Management	Gavin Duncumb x50685
Link: <a href="#">SBS review of supply chain and procurement options.docx</a>		
Gateway 2 – Contract Award Approval	Environment & Leisure,	Gavin Duncumb



Void Works for Traded Services	Traded Services	x50685
Link: <a href="http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=6860">http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=6860</a>		
Gateway 1: Procurement Strategy Approval - Void Works for Traded Services	Environment & Leisure, Traded Services	Gavin Duncumb x50685
Link: <a href="#">GW1 Void Works for Traded Services.docx</a>		

## APPENDICES

No	Title
n/a	

## AUDIT TRAIL

<b>Lead Officer</b>	Dave Hodgson, Head of Asset Management	
<b>Report Author</b>	Steven Johnston, Senior Quantity Surveyor	
<b>Version</b>	Final	
<b>Dated</b>	<u>18 August 2020</u>	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
<b>Strategic Director of Finance and Governance</b>	Yes	Yes
Head of Procurement	Yes	Yes
<b>Director of Law and Democracy</b>	Yes	Yes
<b>Cabinet Member</b>	N/a	N/a
<b>Date final report sent to Constitutional Team</b>		01/09/2020