

Item No.	Classification: Open	Date: 7 October 2020	Meeting Name: Strategic Director of Housing and Modernisation
Report title:		Gateway 3 – Variation Decision Responsive Repair and Maintenance - Roofing and Rainwater Chargeable Contracts (North & South)	
Ward(s) or groups affected:		All	
From:		Director of Asset Management	

RECOMMENDATIONS

1. That the Strategic Director of Housing and Modernisation formalizes his prior approval for the variation of Contract A (north of the borough) Roofing and Rainwater Chargeable contract to Bridgewater Roofing Contractors Ltd to extend the term of the contract for a period of 8 months from 1 October 2020 (as further detailed in paragraph 14) at an estimated additional cost of £960k making a total revised estimated contract value of £3.29m.
2. That the Strategic Director of Housing and Modernisation formalizes his prior approval for the variation of Contract B (south of the borough) Roofing and Rainwater Chargeable contract to A&E Elkins Ltd to extend the term of the contract for a period of 8 months from 1 October 2020 (as further detailed in paragraph 14) at an estimated additional cost of £584k making a total revised estimated contract value of £2.2m.

BACKGROUND INFORMATION

3. A Gateway 2 report was approved on 29 June 2018 to award two Roofing and Rainwater Chargeable contracts:
 - Contract A (north of the borough) was awarded to Bridgewater Roofing Contractors Ltd (Bridgewater) for a period of two years at an estimated annual sum of £650k with the option to extend for a further 8 months making a total estimated contract value of £1.95m.
 - Contract B (south of the borough) was awarded to A&E Elkins Ltd (Elkins) for a period of two years at an estimated annual sum of £650k with the option to extend for a further 8 months making a total estimated contract value of £1.95m.
4. The contracts (Contracts A and B) encompass the following work streams;
 - Repair, overhaul and renew all types of coverings to pitched roofs, including all associated works;
 - Repair, overhaul, renew all types of coverings to flat roofs, including all associated works;
 - Repair, overhaul, renew all rainwater goods and services of all types of materials and sizes;
 - Repair, overhaul, renew fascia's, soffits and other associated works;
 - Sundry and minor building works;
 - All scaffolding, mobile towers, hydraulic lifts and working platforms to facilitate the works; and
 - Repair all external associated repairs

5. The separation of Contracts A and B across a geographical split of the borough (north and south) (Contract A – north - Walworth, Borough and Bankside, Bermondsey, Rotherhithe and Contract B – south - Camberwell, Peckham, Nunhead and Peckham Rye, Dulwich) provide all of the works noted at paragraph 4 above. The contracts contain the provision for the contracts to provide back up to each other that ensures that the council is able to meet its obligations.
6. The prices were fixed until 1 April 2020 and both contracts contain a general maintenance index adjustment that is calculated and applied annually thereafter.
7. The actual expenditure to date against the original Gateway 2 approval is shown below in tables to illustrate the financial year and contract year expenditures.

Contract A - North – Bridgewater

Contract Spend in Financial Years			
Period		Original Gateway Approval	Actual Expenditure Contract A
01/10/2018	31/03/2019	£325k	£384k
01/04/2019	31/03/2020	£650k	£1.2m
01/04/2020	31/08/2020	£271k	£626k
Totals		£1.25m	£2.21m
Contract Spend in Contractual Years			
Period		Original Gateway Approval	Actual Expenditure Contract A
01/10/2018	30/09/2019	£650k	£896k
01/10/2019	30/09/2020	£650k	£1.32m (to end Aug 20)
Totals		£1.3m	£2.21m

Contract B - South – Elkins

Contract Spend in Financial Years			
Period		Original Gateway Approval	Actual Expenditure Contract B
01/10/2018	31/03/2019	£325k	£306k

01/04/2019	31/03/2020	£650k	£968k
01/04/2020	31/08/2020	£271k	£265k
	Totals	£1.25m	£1.54m
Contract Spend in Contractual Years			
Period		Original Gateway Approval	Actual Expenditure Contract B
01/10/2018	30/09/2019	£650k	£732k
01/10/2019	30/09/2020	£650k	£807k (to end Aug 20)
	Totals	£1.3m	£1.54m

8. The estimated annual expenditure in the original gateway approval was based on the anticipated demand for roofing and rainwater works. The actual expenditure with contractors in proceeding months and their level of activity subsequently increased. Whilst expenditure across both contracts is higher than originally estimated, Contract B has increased markedly in value especially in year 2.
9. This increased expenditure has been driven by demand which was unrecognised in the original budget. Due to inaccurate order data from the previous contractors carrying out these works the estimated expenditure was lower than the work necessitated. The budgets have subsequently been redressed to account for increased expenditure over any extension period.
10. Contract A currently has expenditure of around £120k per month. Taking into account previous spend on this contract (£2.21m), anticipated spend until October 2020 (£120k), and an 8 month extension at current expenditure (£960k) will provide a total revised estimated contract value of £3.29m.
11. Contract B currently has expenditure of around £73k per month. Taking into account previous spend on this contract (£1.54m), anticipated spend until October 2020 (£73k), and an 8 month extension at current expenditure (£584k) will provide a total revised estimated contract value of £2.2m.
12. This report is seeking approval for an 8 month extension for each contract to 31 May 2021 to ensure service continuity whilst a longer term procurement exercise is carried out as considered by Housing and Modernisation's DCRB on 16 March 2020.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

13. The nature of the proposed variations is to exercise the option in the contracts with Bridgewater and Elkins to extend the term for a period of 8 months and increase the value to £5.49m. The revised completion date will therefore be 31 May 2021.
14. Both contracts have an end date of 30 September 2020 unless the extension provisions are effected. From 1 October 2020 no new orders will be instructed and none will be placed with either Bridgewater or Elkins 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 May 2021.

Reasons for Variation

- 15. As the council is a landlord, it is essential that it has the capability to deliver roofing and rainwater repair 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.
- 16. Both contractors are demonstrating good levels of performance in terms of quality of work evidenced on their work orders. They also continue to provide a value for money service with rates consistent with the market.
- 17. Six months notice to vary the contracts was given to Bridgewater and Elkins in April 2020 in accordance with clause 9.4 of the contracts and they provisionally agreed. These extensions will be executed through a deed of variation.

Future Proposals for this Service

- 18. Asset management will prepare a procurement strategy for new roofing and rainwater chargeable repairs contracts following consultation with residents' services. A Gateway 1 report will be prepared and presented for approval in November 2020 when this is established.

Alternative Options Considered

- 19. The following alternative options to these extensions were considered:
 - **Do nothing** – this is not a viable option for the reasons set out in paragraph 12 above.
 - **Bring the service back in-house** – the council's SBS department does not have the capacity or competencies to undertake this work 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 roofing and rainwater works available this is not a viable option as there is insufficient time available to join and carry out a tender process.
 - **Utilise 8 months of the 12 month extension provision** – this is a viable option and the recommended option for this report.

Identified risks for the Variation

20. 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	Bridgewater and/or Elkins cease trading, go into administration/liquidation	Low	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). Financial credit checks were carried out on Bridgewater and Elkins on 21 July 2020. The financial stability of the

			<p>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 Bridgewater or Elkins 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	Bridgewater or Elkins 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 backup arrangements within the contract. If both contractors fail then the council's Approved list of contractors will be used to distribute the works whilst new contracts are procured. Alternatively, an external framework may be accessed.
R3	Covid-19 pandemic risks	Low	<p>Asset management has contacted all contractors to ensure that they are able to operate safely on site and in their administrative functions during the crisis.</p> <p>Bridgewater and Elkins are monitored for any change in trading status via alerts from Companies House and industry information.</p>
R4	<p>Brexit:</p> <p>Risk of disruption to supply chain following UK's departure from the European Union</p>	Low	<p>Monitoring government notices regarding trade negotiations and import tariff proposals.</p> <p>Contract managers and quantity surveyors to liaise with contractors regarding their supply chains in respect of tariffs, administration costs and budgetary impacts.</p> <p>Contract managers to liaise with contractors to ensure that measures are taken to ensure continuous component supply where they are obtained from the EU.</p>

Covid-19 Implications

21. 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.

22. The work being carried out currently on these contracts excludes contact with residents and the general public. There is sufficient space for operatives to work on a property /block 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.

Brexit Implications

23. The United Kingdom left the European Union (EU) on 31 January 2020 and the transition period ends on 31 December 2020.

24. In the event of UK not concluding a trade deal with the EU the UK Global Tariff will take effect on 1 January 2021 and apply to imports from the EU.

25. Council officers are monitoring the potential impact of Brexit upon the supply chain and are liaising with contractors to ensure that appropriate preparations are made by them and their suppliers

Policy implications

26. The extension to these contracts will assist the council to continue to contribute to the council's Fairer Future Promise of quality affordable homes, improving housing standards and revitalising neighbourhoods.

Contract management and monitoring

27. The contracts will continue to be managed by a contract manager from asset management's repairs team with dedicated officers who carry out daily joint inspection to ensure quality and compliance with the contracts and specifications.

28. They will continue to be assisted by a quantity surveyor from the commercial team 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.

29. The contracts are subject to KPIs and the performance to date is set out below:

			Percentage of orders started and finished within stipulated time periods – Priority 1s & 3s		Average time to complete – Priority 4s, 15 day calendar day target	
Quarter	Source	Target	Bridgewater	Elkins	Bridgewater	Elkins
Q3 2018/19	System generated	95%	55.6%	64.8%	17.6	15.2
Q4 2018/19	System generated	95%	45.2%	71.3%	40.6	34.2
Q1 2019/20	System generated	95%	69.0%	88.4%	31.3	23.9
Q2 2019/20	System generated	95%	66.7%	78.7%	28.1	18.0
Q3 2019/20	System generated	95%	62.3%	66.4%	19.8	18.2

	Latest trend	↓	↓	↑	↓
	YTD since October 2018	65.6%	75.3%	26.7	19.8

30. During the proposed extension period there will be improved contract management to ensure work orders are completed to the existing high quality and also within stipulated timeframes. Both contractors have been educated on the need to vary complex orders to allow for realistic completion targets and this in turn will produce better KPIs. This was essentially an administrative issue for both contractors which have now been dealt with.

Community Impact Statement

31. Both contracts are of low impact to tenants, homeowners and other stakeholders as these works will be done externally.

Social Value considerations

32. 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.

Economic considerations

33. The full cost to the council and the life span of the contracts are set out in paragraph 13 of this report.

Social considerations

34. Both Bridgewater and Elkins have their own Equal Opportunity Policy and are fully aware of and compliant with the council's policies.

35. Both Bridgewater and Elkins have confirmed that all relevant staff continues to be paid in excess of the minimum London Living Wage hourly rate and comply with council policies relating to GDPR, Blacklisting, Modern Slavery, Health & Safety and Equalities

36. Elkins have 1 office based apprentice and 2 improver roofers who are site based on this contract. Bridgewater has provided work experience for 3 University students during holiday periods. 2 students were site based and 1 office based.

Environmental/Sustainability considerations

37. The contracts contain requirements to recycle roof and timber products.

38. Both contracts encouraged the use of low emission vehicles and the minimisation of journeys needed. Where possible, works have been planned and carried out in grouped localities to reduce the number of journeys and fuel expended.

39. Chemical safe products approved by the water authorities are used for rainwater and drainage works.

Financial Implications

40. The total value of the contracts including any previous expenditure is £5.49m.

41. The total combined revenue and estimated capital spend for the variation is made up as follows;

- Revenue £997k

- Capital £547k
 - Total: £1.544m
42. The revenue budget for 2020/21 is £1.164m and the latest forecast is £1.297m. This variation requested would be met by the existing budget.
43. 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.
44. The level of activity is anticipated to be maintained at previous levels and spend will be distributed across the two contracts geographically.
45. Credit reports were produced for each of the contractors on 21 July 2020 and they were normal for Bridgewater and secure for Elkins and the likelihood of failure for both contractors is low.
46. Bridgewater's credit score has declined since the contract award but still remains above the council's threshold of 40. Council officers monitor contractor performance and status through automatic alerts from BvD FAME and Companies House.

Legal Implications

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

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (Reference Number)

48. There are no additional budgetary implications arising from this report.

Head of Procurement

49. This report is seeking the approval of the strategic director of housing and modernisation to vary two responsive repair and maintenance - roofing and rainwater chargeable contracts with Bridgewater Roofing Contractors Ltd and A&E Elkins Ltd for a period of 8 months at respective contract values of £960k and £584k. Both variations bring the total combined expenditure over 32 months to £5.49m.
50. The report summarises the context and rationale for these contract extensions explaining that new contracts are being prepared with a GW1 procurement strategy timetabled for November 2020. Extending these contracts should allow for continuity whilst this procurement exercise is conducted.
51. The report confirms that the performance to date of these two contractors on this contract has been good. There are management and monitoring arrangements in place which should go some way to ensuring that the required level of contract performance is maintained for this 8 month period. It would appear that there is no reason why the council should not continue with these arrangements for the recommended extension period.
52. The report also confirms that officers will closely monitor the impact of the Covid 19 pandemic in relation to ensure that both contractors operatives conduct work in the safest possible way in accordance with regularly updated government guidance.

Director of Law and Democracy

53. This report seeks the Strategic Director of Housing and Modernisation to formalise his prior approval to the extension of 2 roofing and rainwater chargeable contracts

(Contract A – north of the borough and Contract B – south of the borough) which are being performed by Bridgewater Roofing Contractors Ltd and A&E Elkins Ltd respectively. This report sets out the extent of the extensions and the reasons why an extension of 8 months is necessary. As the value of these variations is less than £1m, the decision to approve these extensions is reserved to the relevant chief officer (or under his delegated authority).

54. 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 18 of this report confirms that a new procurement for these contracts will commence in November 2020.

55. CSO 2.3 requires that a variation decision may only be made if the expenditure involved has been approved. Paragraphs 40 to 46 of this report confirm 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.

Signature 

Date: 27 October 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.

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
None

1. DECISION(S)
4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION
None
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>
None
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)

BACKGROUND PAPERS

Background Papers	Held At	Contact
Gateway 2 - Contract Award Approval Responsive Repair and Maintenance - Roofing and Rainwater Chargeable Contracts (North & South)	Housing and Modernisation, Asset Management	Gavin Duncumb Ext 50685
Link: G:\Asset_Management\Engineering & Compliance\00_R&M_Chargeable_Repairs\2018_Roofing_and_Rainwater\Gateways\GW2\GW2_Responsive_Repairs_and_Maintenance_Roofing_and_Rainwater_Chargeable_Contract_North_and_South_-_closed_.pdf		

APPENDICES

No	Title
N/a	

AUDIT TRAIL

Lead Officer	Dave Hodgson, Director of Asset Management
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Report Author	Steven Johnston, Senior Quantity Surveyor	
Version	Final	
Dated	7 October 2020	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Director of Exchequer (for housing contracts only)	N/a	N/a
Cabinet Member	N/a	N/a
Date final report sent to Constitutional Team		27 October 2020