

Item No.	Classification: Open	Date: 27 November 2023	Decision Taker: Strategic Director of Finance
Report title:		Gateway 3 – Variation Decision Door Entry and Warden Call Contract	
Ward(s) or groups affected:		All	
From:		Asset Management Commercial Manager	

RECOMMENDATION

1. That the Strategic Director of Finance approves the variation of the Door Entry and Warden Call Contract to Silk and Mackman Services Ltd to extend the term of the contract for a period of 16 months from 1 October 2023 to 31 January 2025 (as further detailed in paragraph 10) at an estimated additional cost of £1.2m making a total revised estimated contract value of £6.476m.

BACKGROUND INFORMATION

2. A Gateway (GW) 2 report was approved on 13 March 2018 to award the Door Entry and Warden Call Contract to Silk and Mackman Services Ltd (Silk & Mackman) for a period of four years from 1 June 2018 at an estimated annual sum of £1.21m with the option to extend for a further two years (in increments at the council's discretion) making a total estimated contract value of £7.260m.
3. By way of two GW3 reports dated 1 June 2022 and 17 August 2023, the contract was extended until 30 September 2023 exercising some of the option in the contract to extend for a further two year period. These extension were required to ensure service continuity.
4. The scope of the contract encompass the following work streams:
 - Responsive repairs and maintenance to door entry systems;
 - Responsive repairs and testing of warden call systems;
 - Builders work in connection with services;
 - Door entry upgrades and replacement for major works project.
5. The actual expenditure to date against the original GW2 approval is shown below in tables to illustrate the financial year expenditures.

6. Contract spend in financial years:

Silk & Mackman - Door Entry and Warden Call Contract – Borough Wide					
Financial Period		Original Gateway Approval	Total Expenditure	Breakdown of actual expenditure	
				Revenue	Capital
01/06/2018	31/03/2019	£1.008m	£1.052m	£631k	£421k
01/04/2019	31/03/2020	£1.21m	£921k	£805k	£116k
01/04/2020	31/03/2021	£1.21m	£967k	£814k	£153k
01/04/2021	31/03/2022	£1.21m	£934k	£428k	£506k
01/04/2022	31/05/2022*	£303k	£148k	£138k	£10k
01/06/2022	31/03/2023*	£1m	£871k	£410k	£461K
01/04/2023	31/05/2023*	£210k	£48k	£48k	£0
01/06/2023	31/08/2023*	£305k	£245k	£235k	£10k
Totals Actual		£6.456m	£5.186m	£3.509m	£1.677m
Projected Expenditure to					
01/09/2023	30/09/2023	£90k			
*Pro Rata – includes projected expenditure of £90k					
Projected Expenditure for Proposed Extension Period					
01/10/2023	31/01/2025	£1.2m			
Total of the Actual and Projected Expenditure for period 01/06/2018 to 30/09/2023 and the Proposed Extension		£6.476m			

7. The estimated annual expenditure in the original gateway approval was based on the anticipated demand for door entry and warden call works. The actual expenditure with the contractor in proceeding months and their level of activity subsequently increased.
8. 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.
9. Silk & Mackman currently has expenditure of around £90k per month. Taking into account previous spend on this contract (£5.186m), anticipated spend until 30 September 2023 (£90k) and a new 16 month extension at current expenditure (£1.2m) will provide a total revised estimated contract value of £6.476m.
10. This report is seeking the Strategic Director of Finance to approve the extension to the term of the contract by 16 months to 31 January 2025 to

ensure service continuity whilst a new longer-term procurement exercise is completed and new contract put in place.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

11. The nature of the proposed variations is to extend the term of contracts with Silk & Mackman for a further period of 16 months. The revised completion date will therefore be 31 January 2025.
12. It should be noted of the 16 month extension, eight months are included within the optional extension period noted in the original GW1 report.

Reasons for Variation

13. This variation will ensure and enable the council to maintain continuity of the responsive repairs and maintenance door entry and warden call contract pending completion of its new procurement exercise in February 2025, of which further details are outlined in paragraph 16 of this report.
14. The reason for the extension is that as a social landlord, it is essential that the council meets its obligations to ensure it has the capability to deliver door entry and warden call repair and maintenance 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.
15. Silk and Mackman is demonstrating good levels of performance in terms of quality of work evidenced on their work orders. As the rates are a Price Per Block and sit outside the PPM due to the rates being quite specific to the assets, the market consideration has not been carried out as rates would come back more expensive. The current rates continue to provide a value for money service.
16. A variation to the current contracts has been provisionally discussed with Silk and Mackman and will form part of their contract, which will be executed through a deed of variation.
17. The contract has a current end date of 30 September 2023 unless the extension provision is implemented. Once implementable, the contracts will continue from their current end date until 31 January 2025. Timetable for new procurement is as follows:
 - GW1 – October 2023
 - Notice of Intension (NOI) – October to December 2023
 - Issue PAS91 Pre-Qualification Questionnaire (PQQ) – 9 January 2024
 - PAS91 PQQ return – 8 February 2024
 - PAS91 PQQ Evaluation – 9 February 2024 to 5 April 2024
 - Issue Invitation to Tender (ITT) – 8 April 2024
 - Tender return – 7 May 2024

- Tender Evaluation – May 2024 to July 2024
- Notice of Proposal (NOP) – 9 July 2024 to 1 October 2024
- Council approval decision – 14 October to 6 November 2024
- Contract award – November 2024
- Mobilisation/TUPE – November 2024 – February 2025

Future Proposals for this Service

18. For the new procurement process, the Find a Tender Service (FTS) Contract Notice is anticipated to be published on 9 January 2024 with a PQQ submission deadline of 8 February 2024. The PQQ submissions when received will be evaluated and the ITT Tender Documents is anticipated to be published to the shortlisted applicants on 8 April 2024 with an anticipated date in February 2025 for the new door entry and warden call contracts to be in place. An extension to 31 January 2025 is being sought to ensure continuity in providing door entry and warden call works across the borough to the existing contracts whilst the procurement exercise is undertaken and a new contract awarded.

Alternative Options Considered

19. At this stage of the contract, three other options were considered but rejected for the following reasons:

- Do nothing - not viable for the reasons set out in paragraph 13 and 14 above.
- Bring the work back in-house – not viable as the council lacks the resources (qualified and experienced personnel and equipment) to be able to deliver the work.
- Tender a new contract – this is currently underway as set out in paragraph 17.

20. As a procurement exercise is anticipated to be undertaken in January 2024 to procure one new contract and this new contract will be in place by February 2025, extending the existing contract to 31 January 2025 is proposed to ensure continuity in providing door entry and warden call works across the borough.

Identified risks for the Variation

21. The table below identifies the specific risks associated with the contract, the likelihood of occurrence and the controls in place to mitigate the risks.

R/N	Risk	Likelihood	Risk Control
R1	Silk & Mackman become insolvent leaving works incomplete.	Low	Please see financial checks in paragraph 51 below. Silk & Mackman is paid on the basis of a monthly valuation

			<p>dependent on the quantity of work claimed. Should they become insolvent, they would only be paid for the work they complete. The monthly claims and payments help mitigate the risks involved in company failure.</p> <p>Silk & Mackman continue to be regularly monitored and the council has an executed Parent Company Guarantee from their immediate parent company, Cheema Holdings Ltd, should it need to be used.</p>
R2	Silk & Mackman unable to fulfil the requirements of the contract e.g. poor performance, leading to the need to terminate the contract.	Low	<p>If Silk & Mackman fails, then the council would procure alternative work provision on an interim basis whilst it reprocures a longer term contract.</p> <p>The Alcumus SafeContractor approved list of contractors would be used to distribute the works required.</p> <p>Alternatively, an external framework may be accessed.</p>
R3	Risk of disruption to supply chain following UK's departure from the European Union (EU).	Low	<p>Contract Managers and Quantity Surveyors liaise with Silk & Mackman regarding their supply chain in respect of tariffs, administration costs and budgetary impacts.</p> <p>Contract Managers also liaise with Silk & Mackman to ensure that measures are taken to ensure continuous component supply where they are obtained from the EU.</p>
R4	Inflation	Medium	The contract terms includes Building Material Indices and individual exceptional cases will be reviewed on their own merit.
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 door entry and warden call contract,

			as a social landlord, the risk of procurement challenge is low.
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Policy framework implications

22. 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

23. The council's contract register publishes 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.

24. The contract will continue to be monitored and managed by an Asset Management Engineering Contract Manager with dedicated officers who carry out daily joint inspections to ensure quality and compliance with the contracts and specifications.

25. The Contract Manager continues 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.

26. The contract is subject to KPIs based on the time to complete work orders.

27. The table below shows the KPIs set for the contract:

No.	KPIs	Minimum Target Percentage %	Council's Aspirational Target Objective %	Silk & Mackman Actuals %
1	Right first time	90%	95%	92.56%
2	Percentage of Priority Code 0 and 1 Orders completed within the stipulated time periods	95%	98%	95.6%
3	Percentage of Priority Code 2, 3 and 4 Orders completed within the stipulated time periods	95%	98%	98.0%
4	Percentage of Orders for which a Recall Notice (Default Notice) has not been issued within the calendar month	98%	99%	100%

5	Percentage of overbooking on Orders jointly inspected by Contractor and Contract Administrator	95%	96%	95%
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28. Council officers will monitor Silk & Mackman for any change in trading status via alerts from Companies House and industry information. Insurance certificates will continue to be provided to the council upon renewal and checked for compliance.

29. 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.

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

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

Community impact statement

31. The contract is of medium impact to tenants, homeowners and other stakeholders as these works will be done both internally and externally.

32. Silk and Mackman have confirmed that it is able to meet requirement of the Fairer Future Procurement Framework and this will be reported as part of the ongoing annual performance review.

33. This report is seeking approval for a 16 month extension and there may be insufficient time available for Silk & Mackman to provide additional employment and apprenticeship opportunities to the local community.

Equalities (including socio-economic) impact statement

34. Asset Management's Equality Impact Assessment (EqIA) deemed the potential impact of door entry and warden call works on people with protected characteristics to be neutral and there has been no change.

35. The works are selected based on the condition of the assets to ensure that they are maintained and provide good homes and a safe environment to residents.

Health impact statement

36. Maintaining and repairing door entry and warden call is an essential requirement for the health of residents by providing them a warm, dry and safe environment in which to thrive.

Climate change implications

37. Silk & Mackman uses sustainable materials to the appropriate British Standards.

Social Value considerations

38. 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 GW 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.

39. Silk & Mackman provided employment for two door entry “trainee” engineers whom attended college for electrical training as part of the terms of their employment. Since completing their qualifications and training they have secured employment with Silk & Mackman as field operatives.

40. A new apprentice joined Silk & Mackman in October 2022 and is attending college.

Economic considerations

41. The full cost to the council and the life span of the contract are set out in paragraph 3 of this report.

Social considerations

42. Silk & Mackman 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 and Safety and Equalities.

Environmental/Sustainability considerations

43. The contract 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.

44. The contract contain requirements to carry out disposals in accordance with the Waste Electrical and Electronic Equipment Directive (WEEE Directive).

45. Silk & Mackman have upgraded their existing fleet of cars in regards to climate change and now have two hybrid vehicles and one electric vehicle.

46. Silk & Mackman will be issued with the Asbestos Register, and collaborate with the housing maintenance and compliance asbestos coordinator as required.

Financial Implications

47. The contract value including and excluding VAT is:

	Cost excluding VAT	Cost inclusive of VAT
Original total cost	£5.186m	£6,223,200
Total value of any previous variations	£90k	£108k
Value of proposed variation	£1.2m	£1.440m
Revised total cost	£6.476m	£7,771,200

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

- Revenue £1.2m
- Capital £0
- Total £1.2m

49. The revenue budget for 2023/2024 is £880k. Due to financial pressures on the HRA capital programme there will be no further capital works delivered through the extension of this contract. This requested variation would be met by the existing revenue budget.

50. 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 this contract.

51. Bureau van Dijk (BvD) FAME financial checks were carried out on Silk & Mackman on 30 August 2023 with the following results:

	Silk & Mackman
Credit Score	Secure
Likelihood of failure	Low

52. The Asset Management Procurement team (AMPT) Contracts Compliance Officer monitors changes to the financial status via alerts from BvD FAME and Companies House. No significant alerts noted for Silk & Mackman.

Legal Implications

53. 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 23/052)

54. The Strategic Director of Finance notes the contents of this report including the financial implications section. This report is approving the contract extension but the resulting delivery of the works must be contained within available resources

Head of Procurement

55. This report seeks approval from the Strategic Director of Finance to approve the variation of the Door Entry and Warden Call Contract to Silk and Mackman Services Ltd to extend the contract for a period of 16 months from 1 October 2023 to 31 January 2025 to allow for re-procurement of these services, at an estimated cost of £1.2m making a total revised total contract value of £6.476m.

56. The Strategic Director of Finance notes the reasons for the variation is detailed in paragraphs 13 to 17, the risks are detailed in paragraph 21, management and monitoring of the contract is detailed in paragraphs 23 to 30, the impact equalities, health and climate change is detailed in paragraphs 34 to 37, confirmation of payment above London Living Wage is detailed in paragraph 42 and there are no additional social value commitments.

Assistant Chief Executive – Governance and Assurance

57. This report seeks the approval of the Strategic Director of Finance to the variation of the Door Entry and Warden Call contract with Silk and Mackman Services Ltd, as further detailed in paragraph 1.

58. The contract with Silk and Mackman Services Ltd was subject to and awarded in accordance with the Public Contract Regulations 2015 (PCR15). It is therefore necessary to ensure that any variation to the contract is permitted within those procurement regulations. Regulation 72 permits modifications to be made to contracts during their term in certain circumstances, and includes at Regulation 72(1)(e) where the modification (irrespective of its value) is not substantial, or at Regulation 72(1)(a) where the modification has been provided for in the initial procurement documents in clear, precise and unequivocal terms. As noted in this report, eight months of the variation were included as an option when the contract was procured, and the remaining eight months are required to allow the new procurement process for this service to be completed. Having reviewed the requirements of Regulation 72, it is considered that the contract can be varied under these provisions.

59. Contract Standing Order 2.3 requires that no steps are taken to implement a variation unless the expenditure has been approved. Paragraphs 47-52 confirm the financial implications relating to this variation.

Director of Exchequer (for housing contracts only)

60. The current Door Entry and Warden Call Contract is a qualifying long term agreements that we entered into in 2018 for a four year term with the option to extend until June 2024. The further extension of the contract, as a result of

delays in procurement, is for a period of less than 12 months and is on the same terms as the original contract. It recognises the need for continuity of service and the competitive costs that result from the extension of the original contract, which will result in lower charges to leaseholders.

61. Although day to day repairs will be carried out under this extension, pre-planned large items of work should be subject to tender/quotes. In these circumstances the consultation requirement is that we serve an initial Notice of Intention prior to inviting quotes and a further Notice of Proposal that makes the quotes available to leaseholders.

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...27 November 2023

Designation: **Clive Palfreyman – Strategic Director of 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
None

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

None

* 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

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.

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 Report – Door Entry and Warden Call	Housing Directorate Asset Management	Gavin Duncumb 0207 525 0685
Asset Management\00 Executed Contract Docs & GW Approvals\Door Entry & Warden Call\2018 Door Entry & Warden Call\Gateway Approvals		

APPENDICES

No	Title
None	

AUDIT TRAIL

Lead Officer	Dave Hodgson / Director of Asset Management	
Report Author	Sarah Buchanan / AMPT Procurement Manager	
Version	Final	
Dated	29 September 2023	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance	Yes	Yes/No
Head of Procurement	Yes	Yes
Assistant Chief Executive – Governance and Assurance	Yes	Yes
Director of Exchequer (for housing contracts only)	Yes	Yes
Cabinet Member	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Not Applicable	Not Applicable
Date final report sent to Constitutional Team		27 November 2023