

CABINET PROCUREMENT & INSOURCING COMMITTEE

CONTRACT AWARD REPORT

Title of Report	Planned Internal Works
Key Decision No.	CHE S250
CPIC Meeting Date	9 October 2023
Classification	Open with Exempt Appendices Reason: Information relating to the financial or business affairs of any particular person (including the authority holding the information)
Ward(s) Affected	All
Cabinet Member	Cllr Clayeon McKenzie
Key Decision	<p>_____</p> <p>Yes</p> <p>_____</p> <p>This results in the Council incurring expenditure or savings which are significant having regard to the Council's budget for the service/function. Significant in terms of its effects on communities living or working in an area comprising two or more wards.</p>
Group Director	Rickardo Hyatt Group Director, Climate, Homes and Economy
Contract value, <u>both</u> Inclusive of VAT and Exclusive of VAT (for the duration of the contract including extensions)	£8m including VAT at the standard rate
Contract duration (including extensions e.g. 2 yrs + 1 yr + 1 yr)	2 yrs + 1 yr (works will be awarded over up to 2 years, and there would be an additional year where the contractor is completing project but not receiving new work)

1. **Cabinet Member's Introduction**

- 1.1 The Council is passionate about its housing stock, and committed to the aims and principles of social housing. It is both a privilege and a duty to repair and maintain the Council's homes and estates, where more than 30,000 tenants and leaseholders live and are their beating heart.
- 1.2 We aim to provide homes that our residents are proud of, and the quality of the facilities in the home are essential to that. Residents need to have good quality, modern, and safe kitchens, bathrooms, heating and electrics.
- 1.3 This work to homes was seriously disrupted by the Covid-19 pandemic as it was not possible for a long time to do major works in homes. While this work has resumed since March 2022, this contract will establish a longer term programme and deliver improvements to hundreds of homes

2. **Group Director's Introduction**

- 2.1 This report summarises the reasons for awarding a contract to cover Planned Internal Works qualifying homes in line with the Council's planned 7-year programme. It is expected to deliver internal improvements to up to 700 homes.
- 2.2 These improvements may include kitchen renewals, bathroom renewals, and electrical and heating upgrades. They will also incorporate key fire safety measures in the homes, and, where possible, work to rectify hazards to residents in the home, including damp and mould.
- 2.3 This work is important to ensuring our homes are continually improved to meet the Decent Homes standard, but it is also work that is usually most important to our residents. This proposed programme is a very extensive programme of work, and represents a further significant investment in the standard of our homes.
- 2.4 This contract award report is presented following a tender exercise using a suitable external framework, established by Fusion 21. This report proposes a direct call off, but costs have been evaluated as offering value for money. Submissions which did not offer value for money were rejected as part of this tender.

3. **Recommendations**

Cabinet Procurement and Insourcing Committee is recommended to:

Approve the award of a 2 year contract to Contractor C for planned internal works to council housing stock, with a further year to complete instructed works, at a value of up to £8m, which has been directly called-off the Fusion 21 framework.

4. **Related Decisions**

March 2019: Approval of the Housing Asset Management Strategy 2019-2027, by Cabinet on 25 March 2019. This provides an overarching framework for investment decision-making across the Council's homes and estates. It sets out the ambitions that Hackney has for the quality of its homes and the priorities that will be established to ensure that the limited available resources are directed at the greatest need.

<http://mginternet.hackney.gov.uk/ieListDocuments.aspx?CId=111&MID=4332#AI32478>

July 2020: Approval of the Business Case for Capital Works to Hackney Council Housing, by Cabinet Procurement Committee on 6 July 2020. This included a provision to procure contracts covering planned internal works to up to 900 homes. This figure included planned internal works to Lincoln Court (c.200 homes); this work was awarded under a separate contract via a Delegated Powers Report in November 2021. This work started in March 2022 and is now complete.

https://docs.google.com/document/d/1QI6_yU4QQ75OG3joTuHo430Wx_Lx8IzRxE4w18yGBUA/edit

5. **Reason(s) For Decision / Options Appraisal**

- 5.1.0 The Council's capital delivery programme is essential to ensuring the ongoing maintenance of the housing stock, ensuring it reaches the required standards. One of the key aspects of this is ensuring that the inside of the home is in a decent condition; this means having a kitchen, bathroom, electrical and heating system which are to a good condition and modern standard. It also means ensuring the home is free of hazards to the safety of residents, and provides adequate fire safety measures (including alarms and fire stopping).
- 5.1.1 These works are essential to improve residents' welfare and living conditions. The main benefits of the works will be in improving fire safety, ensuring hundreds of tenants benefit from new kitchen, bathroom and heating facilities in their homes.
- 5.1.2 In 2021 the Council's long term framework (which was called 'Contract 1') ended. In 2020 a business case was approved to award an interim contract to cover planned internal works, because it was expected that there would be a delay in the procurement of a replacement contract due to the disruption of Covid and the cyber attack. The work to procure a planned internal work contract was not actively progressed in 2020 or 2021 due to the ongoing limitations on working in people's homes from covid restrictions. The programme development was also made more complex due to loss of key data.

- 5.1.3 From 2024, there will be a new Regulator for Social Housing. One of the new consumer standards will be 'Quality and Safety'. The work in this contract will be key to ensuring that these homes are improved to satisfy these standards.
- 5.1.4 The properties have been selected based on the Council's 7 year programme which was published as part of the Housing Asset Management Strategy in 2019. The business case for this project makes provision to complete necessary internal works to all homes in line with this planned programme. The work will start with properties in Year 1 of the programme. The work will continue insofar as the contract value permits. The scope of work is subject to ongoing surveys.
- 5.1.5 There are about 3500 properties in each year of the programme, of which about 30% are leasehold. It is not the Council's responsibility to carry out this work to leasehold properties.
- 5.1.6 In Year 1 of the 7 year programme, there are about 3500 properties in total. Of these:
C.1100 are leasehold and will not be included
C. 700 may require work
C.1700 are unlikely to require work

At present surveys are being undertaken to finalise the list of properties that require work. Surveyors are surveying all 700 properties which may require work, and a 10% sample of homes where it is unlikely they require work (this sample will be expanded as necessary). Currently it is estimated that about 200-300 properties in Year 1 will require planned internal works.

- 5.1.7 Surveys on properties in Year 2 of the programme will be started in early 2024. There is likely to be a similar number of qualifying properties in this set. Further surveys will be carried out as required.
- 5.1.8 The original business case included planned internal works to Lincoln Court also; this work was awarded via a Delegated Powers Report in November 2021. This work started in March 2022 and is now complete.
- 5.1.9 The works are proposed to be awarded in multiple batches; the first in late 2023 to cover all qualifying homes in Year 1. The second will be issued to follow on from this and achieve continuity of works. At present this is estimated to be in summer 2024 (subject to contractor performance and programme of the first batch). This batch will be all qualifying homes in Year 2 of the capital programme. Further batches will be issued, subject to available contract value.

5.2 Alternative Options (Considered and Rejected)

The full details of the alternative options considered at the start of this work was set out in the Business Case report (Ref: NH Q86) which was approved by CPC in July 2020. The summary is:

5.2.1 Option 1 - Hold procurement of these works until new contracts are in place (rejected)

Contract 1 ended on 31 August 2021. The procurement of the new framework contracts has been delayed by the Covid-19 lockdown, both due to internal operational limitations, and the need to ensure the market is suitable to procure long term contracts. It is estimated that the tender exercise will start in spring 2023, however, it will be spring 2024 before a contract is signed as the tender process, leasehold consultation and internal governance approvals take about a year for a contract of this scale.

As a result the Council decided in July 2020 to procure the Planned Internal Works via an interim contract so that this work could proceed before the planned main framework is in place.

5.2.2 Option 2 – Procure a Stand Alone Contract (rejected)

This option involves carrying out an independent procurement process to let the works. In general this option requires more resources than the proposed option to use an external framework, and this was rejected as it presented a risk of diverting resources from the main procurement work for the new long term contracts and causing further delays.

5.2.3 Option 3- Insourcing the work (rejected)

The option of in-sourcing the planned works was examined, however, the scale of the work, both in value and in type, and the timescales involved, means that it was neither desirable nor possible to restructure the DLO in time to carry out this work.

6. Project Progress

6.1 Developments since the Business Case approval

6.1.1 The planned internal works to Lincoln Court, which was part of the same business case, was awarded under a separate decision. These works are now complete. This work was done by Contractor C, and while it was a technically challenging project as it also involved complex leak remediation works, it was successfully completed, and there have been no complaints.

6.1.2 The contract mechanism will be a 'Project Partnering Contract' which will be issued as an initial 2 year contract, with a potential to extend for a third year in which remaining works can be completed but no new works instructed. Works can be instructed under the contract as properties are identified as qualifying for kitchen and bathroom renewal.

6.1.3 All residents will be offered a design choice for the main materials in their kitchen and bathroom and the kitchen layout. The kitchens will be designed to meet the minimum space requirements of the decent homes standard. Residents may be assessed for and provided with adaptive aids.

6.1.4 A Housing Health and Safety Rating System (HHSRS) survey will be done in all homes and issues identified will be remediated either in this programme or sooner via the repairs team.

6.2 Whole Life Costing/Budgets

6.2.1 Funding is available for this proposed work. The maximum value of the contract is £8 million. The contract term is two years, with a potential additional year to complete instructed work. The amount of work actually undertaken will depend on the outcomes of condition surveys, the needs of residents and delivery rates for the works. Any properties not completed within the contract term will be referred to be completed under a new main framework contract.

6.3 Risk Assessment/Management

Risk	Likelihood	Impact	Overall	Action to avoid/mitigate risk
Poor Contractor Performance	Low ▾	Medium ▾	Low ▾	Careful due diligence during procurement and good contract administration once contractors are appointed.
Delays in mobilisation of contract	Medium ▾	Medium ▾	Medium ▾	The contractors are already working in the borough on another scheme. Subject to this report being approved in the expected timeframe this should be ok, but it will be an increased risk if there are delays to approval as the contractor will end their presence and teams in the borough.

Unusual inflation affects contract pricing.	Medium ▾	Low ▾	Medium ▾	Where very high inflation occurs and is awarded as an uplift to the contractor, the council can reduce some works to reduce overall costs. There is limited capacity while still meeting the decent homes criteria, but often the council takes a pragmatic approach to slightly early works and these could be set back.
Failure by contractors to comply with contractual obligations	Low ▾	High ▾	Medium ▾	The team have an established working relationship with the contractor and are experienced at managing these types of works and contracts. The Council are able to terminate the contracts should the contractors perform below standards.
Overrun budget	Low ▾	Medium ▾	Low ▾	Work programmes, budgets and orders given to the contractors are continuously managed and formally monitored.

7. **Savings**

7.1 There are no cashable savings arising from this contract.

8. **Sustainability Issues and Opportunities, Social Value Benefits**

8.1 **Procuring Green**

8.1.1 Reducing Carbon Footprint: Contractor C has committed to implementing environmentally friendly practices, minimising waste generation, and reducing carbon emissions in its projects.

They partner with a firm for all construction waste and are proud to confirm that 99% of all construction waste is recycled.

This firm has invested heavily in leading technologies in order to divert 100% of waste from landfill. This, coupled with their diverse social value

activity, means they are able to make a real difference to all their stakeholders. This also means that 99% of waste that is taken from site is recycled or used for alternative methods, fuels, and measures.

- 8.1.2 Energy Efficiency and Resource Management: Contractor C has committed to prioritising energy-efficient design, use of renewable technologies, and resource optimisation in their operations.

8.2 **Procuring For A Better Society**

- 8.2.1 Local Job Opportunities: Contractor C will prioritise local recruitment and training, creating job opportunities for the Hackney community. Contractor C has proposed to utilise the Employment & skills benefits programme facilitated by Building Lives Training Academy to meet their commitment to Identify any opportunity to generate new employment or skills acquisition for local residents, eg apprenticeship, work experience, training and or mentoring.

The contractor's internal teams will lead the recruitment promoting positions through Hackney, local press, and JobCentre Plus. They will be recruited according to work scopes and the needs of Hackney. They will aim to offer a wide range of apprenticeships to develop a variety of skills.

Their Apprenticeship offer provides two years of work experience, CSCS certification, on-going mentoring, development, advanced training on a wide variety of subjects, and PAYE employment. Through this structured scheme, apprentices receive formal on-going monitoring and support through their training. By ensuring the new recruits have a structured training programme over the duration of the work, they are able to provide them with skills, knowledge and development opportunities to further their careers and ensure retention of employment.

- 8.2.2 Skill Development and Training: Contractor C will continue to provide training and development programs, including apprenticeships, which contribute to the growth and upskilling of the local workforce. Through these programs, individuals in the community can gain valuable skills and experience, improving their employability and long-term prospects.
- 8.2.3 Partnerships and Collaborations: Contractor C has committed to establishing long-term partnerships with contractors fosters collaboration and a shared sense of responsibility towards the community.

8.3 **Procuring Fair Delivery**

- 8.3.1 They have confirmed how they would induct and monitor their supply chain (where applicable) and demonstrate their commitment to adhere to the criteria set out under the Prompt Payment code.

- 8.3.2 The successful bidders have committed to paying staff a minimum of the London Living wage and this will form a contract term.
- 8.3.3 The contract documents will include details on their commitment to resident engagement and customer care as well as their approach and method used to ensure their contract delivery will be tailored to Hackney's expectations through workshops designed to build solid working relationships with the client in partnership and where relevant, encourage the participation and input from resident representatives.

8.4 **Equality Impact Assessment and Equality Issues**

Contractor C will:

- Appoint staff to work with council staff and resident representatives during mobilisation to co-create a Communication Plan that captures the Residents' Voice.
- Translation of documents into any language, and if necessary, engage with English-speaking family members/friends/neighbours to provide translation.
- Helping Hands Standard in place for elderly/ill-health residents with communication challenges.
- Password system for vulnerable residents
- Continuation of Covid 19 rules for shielding residents on request.
- Offer viewing of kitchen and bathroom materials to help residents select their design choices

8.5 **Social Value Benefits**

- 8.5.1 Social Inclusion and Diversity: Contractor C has committed to placing substantial emphasis on social inclusion, encouraging diversity and promoting equal opportunities within the workforce.
- 8.5.2 Community Engagement and Well-being: Contractor C has committed to continuing its community-focused approach, actively engaging with local stakeholders and addressing community concerns.

9. **Tender Evaluation**

- 9.1 In May 2022 the project team approached contractor A through the London Housing Consortium (LHC) framework, but they turned down the opportunity to price these works due to the current construction market situation. At the time there was a lot of inflation and price uncertainty. They were not able to source the sub-contractor to deliver the programme.
- 9.2 Contractor B was approached in August 2022, and they did submit a price for this work. This was reviewed by the Hackney Council staff and a retained external Cost Consultant firm. However, the cost consultant firm

recommended that the price did not represent value for money, and a decision was made internally not to progress to contract award.

- 9.3 Contractor C (the preferred supplier) was approached in spring 2023. This contractor has been involved in the delivery of a similar programme at Lincoln Court and they had capacity to deliver further works. Their cost is based on the continuity of works which means that better value has been obtained than with the previous contractors approached.
- 9.4 The details of the pricing is included in Appendix B.
- 9.5 The tenders were evaluated on price only, as the framework selection process already established that the contractor was suitably qualified for doing the works. The price of Contractor C was compared to the price Contractor B had submitted and this is also set out in Appendix A.

10. Recommendation

- 10.1 Cabinet Procurement and Insourcing Committee is recommended to:

Approve the award of a 2 year contract to Contractor C for planned internal works to council housing stock, with a further year to complete instructed works, at a value of up to £8m, which has been directly called-off the Fusion 21 framework.

- 10.2 Contractor C will provide a Parent Company Guarantee for the work.
- 10.3 Monitoring of contract budgets and spend will be via the Housing Investment Board on a quarterly basis.
- 10.4 All survey results and outcomes of completed works will be returned to the Asset Performance team to ensure that outcomes are used to update asset databases and information on decent homes.
- 10.5 There are no TUPE implications.

11. Contract Management Arrangements

Resources and Project Management (Roles and Responsibilities):

- 11.1 The Planned Internal Works Contract will be managed by a Contract Delivery Manager along with their technical team including a Project Manager, Building Clerk of Works and Customer Relationship Officers. The Contract Delivery Manager is the overall project manager for the PPC contract and is the point of escalation should a matter arise that is unable to be resolved at the monthly operational meetings. Such matters are escalated to the Monthly or Strategic Core Meeting.
- 11.2 Robust client briefing documents, specifications and schedules of rates will be used to minimise client variation and also by using the technical skills,

knowledge and expertise of the officers managing these works to ensure a good standard of contract management is applied at all times.

- 11.3 Performance is monitored via quarterly Strategic Core Group Meetings. As well as providing a forum for discussion of strategic contract issues, the contract Key Performance Indicators (KPI) will be reported. The results will be collected in accordance with the Contract's KPI document. An annual review of the KPI results will be used to decide whether an extension term, in the form of an extra year, will be granted to the appointed Provider.
- 11.4 Performance against commitments to social value will also be monitored at the quarterly Strategic Core Group Meetings throughout the contract term.

12. Key Performance Indicators

- 12.1 The KPIs are as follows:

- KPI 1 Properties completed per week
- KPI 2 Customer Satisfaction – Overall
- KPI 3 Time – Properties completed in time
- KPI 4 Client Handover Pass Rate
- KPI 5 Safety - Client H&S Inspections

Appendix C sets out further detail.

- 12.2 All KPIs are monitored quarterly at the Strategic Core Group meeting. As far as possible, the data and analysis is produced by Hackney Council officers. This is an enhancement on previous contract arrangements; for example contractors were previously tasked with gathering resident satisfaction information. This will now be done by Hackney Council.
- 12.3 Each KPI can be Green, Amber or Red depending on performance relative to the target. The contract defines an overall performance requirement which is necessary to be awarded an extension to the term. This mechanism is designed to incentivise ongoing high performance throughout the term.

13. Comments Of Interim Group Director Of Finance

- 13.1 The report seeks approval to award a contract to bidder C, with spend of up to £8m over 2 years.
- 13.2 There are no leaseholder re-charge implications as the works are internal and will only be carried out in council owned properties.
- 13.3 The present agreed maximum price (AMP) programme includes various work streams that require funding. All works will therefore need to be prioritised against each other to ensure that capital spend remains within agreed budget limits and capital financing resources are not exceeded.

Monitoring of this particular contract and wider AMP budgets and spend will be overseen by the Housing Investment Board on a quarterly basis.

14. VAT Implications On Land & Property Transactions

Not Applicable

15. Comments Of the Acting Director, Legal, Democratic & Electoral Services

15.1 The works in this Report were assessed as High Risk by the Council and on 6th July 2020 Cabinet Procurement Committee agreed the procurement of a group of planned capital works to Hackney Council housing which are non-rechargeable to leaseholders, via a pre-existing external framework, including Planned Internal Works. Pursuant to paragraph 2.7.10 of Contract Standing Orders the approval to award a contract will be with Cabinet Procurement and Insourcing Committee.

15.2 Details of the procurement process undertaken by officers to procure the appointment of a works contractor are set out in this Report.

16. Comments Of The Procurement Category Lead

16.1 The Business Case for this element of the works; 'Planned Internal Works' as part of the - Capital Works to Hackney Council Housing CPIC report approved July 2020 (Key Decision No: NH Q86) recommended the following procurement procedure; Procurement of planned capital works which are non-rechargeable to leaseholders, via a pre-existing external framework.

16.2 This recommendation and the procedure followed are compliant with the business case approved procedure and the call-off process for a 'direct call-off' from the Fusion 21 framework.

16.3 The procurement team was engaged in this commissioning exercise and uploaded and issued the full tender brief (framework agreement, scope, pricing schedule) to Contractor C. These documents were issued via the Council's e-tender portal and submissions were received on the 29th August 2023.

16.4 Procurement team has confirmed with the Fusion 21 framework contract managers that the submitted rates are in line with the framework rates. The final Fusion 21 (framework) report is being finalised in preparation for contract award. This is to ensure a compliant procedure and a legally binding contract is put in place

16.5 Given Fusion 21's confirmation of the procedure carried out, this commissioning activity now amounts to a proper, transparent, fair procurement exercise.

Appendices

Appendix A: Tender price summary and evaluation (EXEMPT)

Appendix B: Pricing Document (EXEMPT)

Appendix C: Detailed KPIs

Exempt

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Background Documents

None

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