

Committees:	Dates:
Corporate Projects Board <i>[for decision]</i> Projects Sub <i>[for decision]</i> Housing Management & Almshouses Sub <i>[for decision]</i>	28 June 2019 19 July 2019 22 July 2019
Subject: Decent Homes Call-backs 2020-22 Unique Project Identifier: 12074	Gateway 1-4 Project Proposal & Options Appraisal Regular
Report of: Director of Community & Children's Services Report Author: David Downing	For Decision
<h1>PUBLIC</h1>	

Recommendations

<p>1. Approval track, next steps and requested decisions</p>	<p>Project Description: Appoint a contractor on a fixed budget, 3-year term contract, comprised of an agreed schedule of rates, to supply and install replacement kitchen, bathroom and central heating facilities on an ad hoc basis to City of London tenanted properties to bring them up to the Decent Homes standard.</p> <p>This approach has worked well in the recent past; the 3-year contract proposed at this time would be the third such iteration of this contract hence the submission of this combined Gateway report.</p> <p>Next Gateway: Gateway 5</p> <p>Next Steps:</p> <ol style="list-style-type: none"> 1. Draft tender documents 2. Procurement 3. Gateway 5 <p>Requested Decisions:</p> <ol style="list-style-type: none"> 1. That budget of £5,000 is approved for internal staff costs to reach the next Gateway; 2. Note the project budget of £5,000 (excluding risk); 3. Note the total estimated cost of the project at £535,000 (excluding risk); 4. That Option 2 to appoint a contractor on a fixed budget, 3-year contract is approved.
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2. Resource requirements to reach next Gateway	<p>For recommended option 2:</p> <table border="1" data-bbox="528 264 1390 622"> <thead> <tr> <th data-bbox="528 264 762 405">Item</th> <th data-bbox="762 264 1007 405">Reason</th> <th data-bbox="1007 264 1198 405">Funds/ Source of Funding</th> <th data-bbox="1198 264 1390 405">Cost (£)</th> </tr> </thead> <tbody> <tr> <td data-bbox="528 405 762 546">Internal Staff Costs</td> <td data-bbox="762 405 1007 546">Project management; procurement</td> <td data-bbox="1007 405 1198 546">Housing Revenue Account</td> <td data-bbox="1198 405 1390 546">£5,000</td> </tr> <tr> <td data-bbox="528 546 762 622">Total</td> <td data-bbox="762 546 1007 622"></td> <td data-bbox="1007 546 1198 622"></td> <td data-bbox="1198 546 1390 622">£5,000</td> </tr> </tbody> </table>	Item	Reason	Funds/ Source of Funding	Cost (£)	Internal Staff Costs	Project management; procurement	Housing Revenue Account	£5,000	Total			£5,000
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Internal Staff Costs	Project management; procurement	Housing Revenue Account	£5,000										
Total			£5,000										
3. Governance arrangements	<ul style="list-style-type: none"> • Service Committee: Housing Management & Almshouses Sub Committee • Senior Responsible Officer: Paul Murtagh, Assistant Director Barbican & Property Services, DCCS • The project will be monitored by the Housing Programme Board. 												

Project Summary

4. Context	<p>Programmes of works to bring the majority of properties of the City of London's housing stock up to the Decent Homes standard have now been completed, however with each programme a number of properties are necessarily omitted. The reasons for these omissions may include the property meeting the standard at the time programmed works were being done to that estate, unsuitable timing of the works for an individual resident, works being refused out right, or insufficient budget to extend existing programmes to cover additional properties. Over time, as previously acceptable components fail or when properties where works were refused fall vacant, the City is required to carry out works to bring these properties back to the Decent Homes standard between large scale programmes of work. This is known as a 'call-back'.</p> <p>There are potentially 251 kitchens, 150 bathrooms and 59 new gas central heating installations which may require works during the proposed contract period. As works to many of these components have already been refused by the respective residents during recent Decent Homes programmes it is anticipated that only a small proportion at any one time will become accessible to carry out the works, hence the appropriateness of an ad hoc call-backs contract as opposed to a more comprehensive programme of works where a large proportion of properties included may refuse works again.</p>
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<p>5. Brief description of project</p>	<p>Appoint a contractor on a fixed budget, 3 year term contract, comprised of an agreed schedule of rates, to supply and install replacement kitchen, bathroom and central heating facilities on an ad hoc basis to City of London tenanted properties to bring them up to the Decent Homes standard.</p> <p>This approach has worked well in the recent past; the 3-year contract proposed at this time would be the third such iteration of this contract. The current contract for delivering Decent Homes Call-backs will expire in the latter part of 2019 as the maximum contract value is reached. To ensure a seamless provision of service, the process for authorising the procurement of a replacement contract should now be initiated.</p>
<p>6. Consequences if project not approved</p>	<p>The City has a statutory obligation to ensure its housing stock meets the national 'Decent Homes Standard'. For a property to achieve the standard it must have no outstanding health and safety related repairs, be weatherproof and have 'reasonably modern' kitchen, bathroom and heating facilities.</p>
<p>7. SMART project objectives</p>	<ul style="list-style-type: none"> • Bring residents homes up to required standards and ensure compliance with statutory obligations. • Appoint a term contractor to ensure value for money. • Seek a three year contract to give assurances that statutory obligations can be met whilst maintaining cost efficiencies.
<p>8. Key benefits</p>	<ul style="list-style-type: none"> • Preservation of the City of London Corporation's assets. • Improved living conditions for residents. • Compliance with Decent Homes legislation and regulation.
<p>9. Project category</p>	<p>7b. Major renewals, typically of a one-off nature (supplementary revenue)</p>
<p>10. Project priority</p>	<p>A. Essential</p>
<p>11. Notable exclusions</p>	<ol style="list-style-type: none"> 1. Properties that are rented to leaseholders on long-lease agreements. 2. Tenanted properties in which all facilities are modern and meet the criteria for Decent Homes. 3. The replacement of life-expired or faulty gas boilers; provision for their replacement is already covered by an existing contract. This project will include conversions from electric storage heaters to gas central heating only.

Options Appraisal

<p>12. Overview of options</p>	<p>1. Annual Call-backs Contract 2. 3-year Call-backs Contract</p> <p>Doing nothing is not a valid option as these works are considered statutory.</p> <p>Specifying, procuring and delivering works to individual properties on an ad hoc basis when they become unrepairable is poor practice, will not offer any cost savings through economies of scale and will greatly inflate internal staff costs. This option therefore will also not be considered further.</p> <p>As works to many of these properties have already been refused by the respective residents during recent large scale Decent Homes programmes, it is anticipated that only a small proportion at any one time will become accessible to carry out the works as these properties fall vacant. Procuring a comprehensive multi-estate programme of works would therefore be a largely futile operation as a large proportion of properties included would likely refuse works again. This option will also not be considered further.</p>
<p>13. Risk</p>	<p>Overall project risk: Low</p> <p>Further information available within the Risk Register (Appendix 3) and Options Appraisal.</p>

Resource Implications

<p>14. Total estimated cost</p>	<p>For recommended option £535,000</p> <p>Total estimated cost (excluding risk): £535,000</p> <p>Total estimated cost (including risk): N/A</p>	
<p>15. Funding strategy</p>	<p>Is funding confirmed: All funding fully guaranteed</p>	<p>Who is providing funding: Internal - Funded wholly by City's own resource</p>

	<i>Recommended option</i>	
	Funds/Sources of Funding	Cost (£)
	Housing Revenue Account	£535,000
	Total	£535,000
As works are restricted to City of London tenanted properties only, there is no scope for leaseholder recovery via service charge.		

Appendices

Appendix 1	Project Briefing
Appendix 2	PT4 Procurement Form
Appendix 3	Risk Register

Contact

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Options appraisal table.

	<i>Option 1</i>	<i>Option 2</i>
1. Brief description	Procure a contractor on an annual basis to supply and install - at a fixed price via a schedule of rates - kitchen, bathroom and central heating facilities to City of London tenanted properties to bring them up to Decent Homes standards as and when required by the City.	Procure a contractor on a three year term contract to supply and install - at a fixed price via a schedule of rates - kitchen, bathroom and central heating facilities to City of London tenanted properties to bring them up to Decent Homes standards as and when required by the City.
2. Scope and exclusions	<p>Scope:</p> <p>The project will apply to any tenanted properties within the City’s social housing stock that require this type of works.</p> <p>Exclusions:</p> <p>Properties already meeting the Decent Homes standards and properties requiring works where those works can be incorporated within a future large scale programmed replacement without undue delay. Properties that are rented to leaseholders on long-lease agreements.</p>	
<i>Project Planning</i>		
3. Programme and key dates	<ul style="list-style-type: none"> • Gateway 2-4 Options Appraisal – July 2019 • Procurement of year 1 contractor – complete August 2019 • Gateway 5 (year 1) – Autumn 2019 • Deliver year 1 works– through January 2020 – December 2020 • Procurement of year 2 contractor – complete July 2020 • Gateway 5 (year 2) – Autumn 2020 	<ul style="list-style-type: none"> • Gateway 2-4 Options Appraisal – July 2019 • Procurement of year 1 contractor – complete August 2019 • Gateway 5 (year 1) – Autumn 2019 • Deliver year works– through January 2020 – December 2022

	<ul style="list-style-type: none"> • Deliver year 2 works– through January 2021 – December 2021 <p>Year 3 would proceed on a similar pattern.</p>	
4. Risk implications	<p>Low overall risk.</p> <ul style="list-style-type: none"> • The works are carried out as required, at a fixed price, on instruction from the City, within a capped budget. • Annual procurement would introduce an element of price uncertainty as tenders would be susceptible to inflationary pressures. 	<p>Low overall risk.</p> <ul style="list-style-type: none"> • The works are carried out as required, at a fixed price, on instruction from the City, within a capped budget. • This approach has worked well in the recent past; the proposed contract would be the third such iteration. • As prices for each component would be fixed at tender stage in an approved schedule of rates for the duration of the contract and not subject to any annual uplift or re-negotiation, the pricing-in of any economic uncertainty is therefore the contractor's risk.
5. Benefits	<ul style="list-style-type: none"> • An underperforming contractor can be removed from site with minimal risk to the overall programme. 	<ul style="list-style-type: none"> • Works can be delivered as and when required throughout a three year period. This meets the needs of the department for example, in responding to the need to bring newly void properties back up to standard ahead of letting to a new tenant. • Working with fixed prices within a capped budget brings a firm level of financial control.

		<ul style="list-style-type: none"> • A single procurement exercise. • Cost surety and value for money provided throughout the programme during uncertain economic climate. • Economies of scale from 3-year contract. • Replicates current contract which has operated successfully.
6. Disbenefits	<ul style="list-style-type: none"> • Considerable increase in officer time and associated staff costs due to annual procurements. • Potential for multiple contractors could lead to differing standards of work throughout the housing stock. • Little scope for achieving economies of scale. 	<ul style="list-style-type: none"> • Should market conditions change dramatically during the 3-year period, works may have to be re-procured to ensure continued value for money.
7. Stakeholders and consultees	<ul style="list-style-type: none"> • Members and Ward Members. • Officers including City Surveyors, Chamberlain's, Housing and Neighbourhood Management and Town Clerk's. • Residents of the relevant properties. <p>An Equality Impact Assessment will not be undertaken for the project.</p>	

Resource Implications		
8. Total estimated cost	<p>Project Development: £5,000 Staff Costs</p> <p>Year 1 £165,000 Works + £15,000 Staff Costs</p> <p>Year 2 £175,000 Works + £15,000 Staff Costs</p> <p>Year 3 £185,000 Works + £15,000 Staff Costs</p> <p>Total estimated cost: (including risk): £575,000</p>	<p>Project Development: £5,000 Staff Costs</p> <p>3 Year Contract £500,000 Works + £30,000 Staff Costs</p> <p>Total estimated cost: (including risk): £535,000</p>
9. Funding strategy	The works will be funded by the Housing Revenue Account (HRA)	
10. Estimated capital value/return	N/A	
11. Ongoing revenue implications	Following the completion of the project and any warranty period, the installations will be maintained through the existing reactive repairs and maintenance contract. All properties are currently included in this reactive contract; therefore, there will be no cost increase to the contract. Indeed, properties with modern facilities are unlikely to require significant repair and therefore the reactive maintenance expenditure on these properties can be predicted to decrease.	
12. Investment appraisal	Timely intervention and replacement reduces spend on reactive repairs and maintenance as unexpected failures occur less frequently.	
13. Affordability	These works are a necessary part of rolling maintenance of the City of London Corporation's Housing stock. The works have been anticipated and budgeted for in the 5 and 30 year Asset Management Plans.	
14. Procurement strategy/Route to Market	Fixed price annual contracts including a tightly specified schedule of rates will be procured. Tenders to be advertised on Capital E-sourcing portal.	A fixed price term contract including a tightly specified schedule of rates will be sought for a period of three years. A lower cost is hoped to be achieved by undertaking the works through a

		structured 3 year programme. Tenders to be advertised on Capital E-sourcing portal.
15. Legal implications	Failure to maintain homes to the required standard has scope for legal challenge.	
16. Corporate property implications	It is important that the City's assets remain in good, safe and statutory compliant condition. Therefore, all necessary action should be taken to ensure that assets are kept as such throughout the assets' lifetime.	
17. Traffic implications	The detail of the traffic plan for the installation phase will be agreed annually with the successful contractors; however, works are not anticipated to disrupt traffic.	The detail of the traffic plan for the installation phase will be agreed with the successful contractor; however, works are not anticipated to disrupt traffic.
18. Sustainability and energy implications	The installation of new central heating systems will offer improvements in energy efficiency and sustainability which may be sufficient to demonstrate an improvement in the overall SAP rating of the City's housing stock and can be anticipated to reduce utility bills for residents.	
19. IS implications	None	
20. Equality Impact Assessment	The proposed works will not have an impact on equality or protected characteristics. The delivery phase of the works will be carefully planned and implemented in conjunction with residents to ensure no adverse impacts. Requests to adapt properties for disability impaired residents are managed outside the Call-backs processes.	
21. Data Protection Impact Assessment	The risk to personal data is less than high or non-applicable and a data protection impact assessment will not be undertaken	
22. Recommendation	Not recommended	Recommended

