

<b>Committee(s):</b>  Barbican Estate Residents Consultation Committee – For information	<b>Dated:</b>  27/11/2023
<b>Subject: Extension to Repairs and Maintenance Contracts</b>	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	1, 2, 4, 12
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>Barbican – City Fund HRA – HRA Fund</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>Yes</b>
<b>Report of:</b> Judith Finlay, Executive Director of Community and Children’s Services	<b>For Information</b>
<b>Report author:</b>  Michael Gwyther-Jones Head of New Developments and Special Projects, DCCS Oliqur Chowdhury, Commercial Lead, Commercial Service, COO Rob Pine, Procurement and Contracts Manager, Commercial Service, COO	

### **Summary**

The report is redacted for non-public information and the report is otherwise the same as will be submitted to other committees.

The City Corporation has a duty to undertake repairs and maintenance to the housing estates and buildings for which it is the landlord. This report considers its approach to the provision of responsive repairs, maintenance, and voids.

There are two agreements for the provision of Housing Responsive Repairs, Maintenance and Voids Services, the term of these began 01 April 2019, and is currently set to expire 31 March 2024:

1. Housing Revenue Account (HRA) Estates with Wates Living Space; and
2. Barbican Estate with Metwin.

The report provides an overview of the operational and commercial performance of these agreements, the activities undertaken to establish the options available for the provision of the services from 01 April 2024, and recommends to members the option that officers consider to be the best approach to optimise future service delivery,

provide commercial and regulatory assurance, and to maximise impact towards the organisation's corporate strategic objectives.

Whilst the purpose of this report is to satisfy the Standing Orders, 51. Procurement and Contract Letting, and Rules 16, 25 and 30 of the Procurement Code, it is included in the agendas of the Barbican Residential Committee and the Barbican Estate Residents Consultation Committee, to communicate transparently to those affected by this contractual decision as it will affect their service provision.

### **Recommendation(s)**

This report is for information and to note that Members will be asked to:

1. Endorse for onward approval by the Court of Common Council, the following:
  - a. a variation to the expiry date of the contract term to 31 March 2025 for responsive repairs, maintenance, and voids service at HRA estates (Lot 1) with Wates Living Space [NON-PUBLIC]
  - b. a variation to the expiry date of the contract term to 31 March 2025 for responsive repairs, maintenance, and voids service at Barbican estates (Lot 2) with Metwin Ltd [NON-PUBLIC]
2. Note the estimated spend for the additional 12 months extension [NON-PUBLIC]

### **Main Report**

#### **Background**

1. In December 2018, Court of Common Council approved the award of the contracts for the provision of housing responsive repairs, maintenance, and voids service for the City of London Corporation's Housing Estates.
2. The requirements have been grouped into two lots for each Housing Estate: Lot 1, Housing Revenue Accounts (HRA) and Lot 2, Barbican Estate. This strategy was decided upon to ensure that the differing bespoke nature of requirements across both estates are delivered, and ultimately the City's statutory responsibilities for the repairs and maintenance services and its obligations to leaseholders are met.
3. The contracts commenced 1 April 2019 for a period of 5 years [NON-PUBLIC].
4. A five-year contract was awarded for responsive repairs, maintenance, and voids service at HRA Estates (Lot 1) to Wates Living Space, commencing 1 April 2019 [NON-PUBLIC].
5. A five-year contract was awarded for responsive repairs, maintenance, and voids service at Barbican Estates (Lot 2) to Metwin Ltd, commencing 1 April 2019 [NON-PUBLIC].

## Current Position

6. A decision is required from Members, as according to the Corporation's Standing Orders, 51. Procurement and Contract Letting, all procurement and contracts activity must be undertaken in accordance with the Corporation's agreed Procurement Regulations, The Procurement Code.
7. The Procurement Code rule 30. Contract Variations requires approval from the Procurement and Projects Committee, Finance Committee, and the Court of Common Council [NON-PUBLIC].
8. The current repairs and maintenance contracts with Metwin and Wates require a Deed of Variation (Contract Extension) to extend by 12 months, this is needed to allow sufficient time for the re-procurement of new contracts for Barbican and HRA.
9. There is insufficient time to reprocure before the current contracts expire on 31 March 2024 as a full 'Find a Tender Service' (FTS) procurement process will need to be undertaken, as well as carrying out pre-market engagement with residents and the wider market, including sufficient time for the mobilisation to be completed by the new contractor by 31 March 2024.
10. It is recognised that the current contract performance is not optimal, and robust contract management is required to ensure that the service improves whilst re-procurement is taken forward. The longer period to reprocure provides an opportunity to develop new contracts with greater customer focus, as well as sanctions and penalties to challenge poor performance.
11. [NON-PUBLIC]
12. [NON-PUBLIC]
13. [NON-PUBLIC]
14. The spend is well above the predicted estimated costs for both contracts at the outset and has been driven by a combination of external factors including Covid and Brexit which have impacted upon the materials supply chain and available resources, inflation, inclusion of capital works in day to day reactive contracts, and the contract value being set too low.
15. An audit was undertaken in October 2023 on the Barbican Estate contract with Metwin. This made several recommendations to improve the service:
  - The contract Schedule of Rates must be applied, where this is not possible, works must be specified and costed via quotation and the quotation attached to the works order.

- The Housing Repairs Team should ensure that market testing (seeking alternate quotes) is undertaken in relation to non-SOR items, management may wish to set a financial threshold for this. Evidence should be retained.
- Management should monitor the volume and proportion of works orders varied after raising, a KPI/target should be set, reasons for variation should be examined and lessons learned to improve the quality of this process.
- The pre-inspection process/responsibility should be brought within the City of London team as a “client” function.
- The Housing Repairs Team should introduce, as a minimum, spot-checking to validate the completion of works and, for some categories of repair, part-completion. Evidence should be retained to demonstrate this.
- The Schedule of Rates should be reviewed in detail as part of the procurement process to re-let the contract, ensuring that those items included remain valid and expanding where relevant/useful to do so.

16. Following the recommendations, the current ways of working will be improved, and change is required to regain residents’ confidence and trust. DCCS Housing Services is committed to resolving the current problems and to improve the services delivered to residents. There will be further developments to promote the customer first culture and ensure there is capacity and capability to improve service delivery. Benchmarking repairs and maintenance performance will provide further insight into how the current contracts are performing.

17. In order to deliver robust contract management for repairs and maintenance, it is intended to appoint a new contract manager for the Barbican residential estate as recommended by the Altair review and Pennington Review recommendations for the HRA repairs and maintenance service.

18. Elements of the current in-house provision of the service will remain as existing particularly for the Barbican Estate, pending a review of the Property Service Function during the Barbican Estates Office transformation project to identify any future opportunities for additional in-sourcing.

19. Immediate improvements to performance can be introduced by tightening up internal procedures, reviewing the contract management process, establishing strategic and operational meetings, month-by-month budget monitoring on expenditure, and introducing new approval limits.

20. A Communications Plan is being developed specifically for the re-procurement process. Consultation and engagement will be primarily delivered through the Community & Children’s Services Committee, Barbican Residents Committee, and Barbican Residents Consultation Committee meetings. Other avenues for engagement will be through press releases via the Communications Team. There will be channels for two-way communication between residents and the Project Team and residents will have the opportunity to provide input on stages of the process, specific to service delivery expectations.

21. A steering group with resident representation has been established for both HRA and Barbican, and they will be engaged during the stages of the procurement process and eventual award of new contracts.
22. The rationale for the contract extension is to allow sufficient time for (1) Project team to arrange resident and stakeholder engagement to understand the current issues / concerns with the existing contractors and to address these in the re-procurement (2) Supplier engagement which will guide the procurement with its requirements, and how the tender is packaged, and whether a single or two stage tender process will be the most appropriate (3) Supplier engagement will inform us how the market responds to our proposed terms, contract duration, insurances, TUPE, Lots, and geographical zones (4) Mobilisation of the new contractor.
23. Re-procurement of the contracts will enable contract redesign including financial penalties for poor performance, review of priority bands for repairs, specifying how resources will be allocated across geographical areas and setting thresholds for use of sub-contractors.

## **Options**

24. The following options were considered:
  - a) Option 1 - to undertake an immediate procurement exercise for a Housing Responsive Repairs, Maintenance and Voids Service
  - b) Option 2 - Extend by deed of variation the current contracts with the providers.
25. Option 1 would allow for competitive bidding from the market. However, it would be a risk to conduct an immediate procurement exercise as this would not allow sufficient time for a thorough review of the service, understand resident concerns and ensure adequate time for mobilisation of a new contractor.
26. Option 2, extending the current contract and deferring the procurement allows time to carry out stakeholder and supplier engagement, and to develop an effective and improved service model. Re-procuring within the current timeframe introduces greater risk than that option 2. with the likelihood of ending up with a worse deal financially, poorer standard of service, and drain on internal resource, resident dissatisfaction, compared to allowing an additional 12 months to reprocure.
27. The procurement timetable is detailed in Appendix 1 to ensure that a new contract is in place in advance of the extension expiry date, 31 March 2025.

## **Proposal(s)**

28. Option 2 is the preferred option, as this would allow resident consultation and supplier market engagement to be undertaken and provide an opportunity for a thorough service review and the design of an improved service model.
29. The Facilities Category Board have approved the recommendation to extend the contracts by 12 months.

## **Corporate & Strategic Implications**

This proposal aligns with key objectives in the Corporate Plan for 2024-29 where there is a commitment to ensure people receive good services, live in good quality homes, and can live independent and healthy lives. This proposal will also support the delivery of involving communities and our residents in co-creating fair and innovative outcomes.

The proposal also supports the following objectives in the Corporate Plan 2018-2023 (1) People are safe and feel safe (2) People enjoy good health and wellbeing (4) Communities are cohesive and have the facilities they need (12) Our spaces are secure, resilient and well-maintained.

## **Financial implications**

The financial implications are set out in the body of the report.

## **Resource implications**

DCCS Housing manage the current two contracts and will continue to do so for the extension. Section 20 consultation is not required for this extension.

## **Legal implications**

The proposed extension of the contract in favour of Wates is permissible under Regulation 72(1)(b) of the Public Contract Regulations 2015 (PCR 2015), on the basis that:

- the procurement of an alternative contractor for an interim 12-month period would cause significant inconvenience and substantial duplication of cost for the City; and
- the value of the contract extension will not exceed 50% of the original contract value.

Given the indicated value of the proposed contract extension in favour of Metwin, the safe harbour provided under Regulation 72(1)(b) will not apply. However, regardless of value, the proposed increase in scope complies with the requirements set out in Regulation 72(1)(e) of PCR 2015 as it does not:

- render the contract materially different in character from the one initially concluded;
- introduce conditions which, if they had formed part of the original procurement procedure, would have allowed the admission of other contractors or the acceptance of a different offer or attracted additional participants;
- change the economic balance of the contract in favour of the contractor in a manner not provided for in the initial contract; and
- considerably extend the scope of the contract.

## **Risk implications**

Not extending the current contract exposes the City to risk in respect of reputation by not having buildings repairs and maintained. There is further risk by not being compliant with statutory Health and Safety regulations. Legal will be further consulted for any Public Contract Regulations 2015 modification notices that are required to be published.

### **Equalities implications**

The current contract has been subject to a fully compliant City of London tender process which ensures that all legal requirements and City of London policies in respect of equality have been met.

### **Climate implications**

The current contract has been subject to a fully compliant City of London tender process which ensures that all legal requirements and City of London policies in respect of climate and responsible procurement have been met.

### **Security implications**

The current contract has been subject to a fully compliant City of London tender process which ensures that all legal requirements and City of London policies in respect of security have been met.

### **Conclusion**

30. It is recommended that Members approve the extension of the managed Repairs and Maintenance contracts for a further 12 months, to ensure continuity of the service whilst a review of the approach to procuring a new Repair & Maintenance contract is undertaken.

### **Appendices**

Appendix 1 – Procurement Timetable

#### **Michael Gwyther-Jones**

Head of New Developments and Special Projects, DCCS

E: [michael.gwyther-jones@cityoflondon.gov.uk](mailto:michael.gwyther-jones@cityoflondon.gov.uk)

#### **Oliqur Chowdhury**

Commercial Lead, Commercial Service, COO

E: [oliqur.chowdhury@cityoflondon.gov.uk](mailto:oliqur.chowdhury@cityoflondon.gov.uk)

#### **Rob Pine**

Procurement and Contracts Manager, Commercial Service, COO

E: [robert.pine@cityoflondon.gov.uk](mailto:robert.pine@cityoflondon.gov.uk)