

**Report for:**  
**ACTION/INFORMATION\*** (delete as appropriate)

**Item Number:**

|  |   |
|--|---|
| <b>Contains Confidential or Exempt Information</b> | <b>YES (in Part)</b><br><br>Confidential Appendix A List of Contracts by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (see paragraph 10 to the Access to Information Procedure Rules) |
| <b>Title</b>                                       | 5 year Housing Capital Program Procurement  |
| <b>Responsible Officer(s)</b>                      | Dawn Kent-Payne, Assistant Director Housing Asset Management  |
| <b>Author(s)</b>                                   | Paul Woodham  |
| <b>Portfolio(s)</b>                                | Safe and genuinely affordable homes - Cllr Bassam Mahfouz   |
| <b>For Consideration By</b>                        | Cabinet   |
| <b>Date to be Considered</b>                       | 17 January 2024   |
| <b>Implementation Date if Not Called In</b>        | 29 January 2024   |
| <b>Affected Wards</b>                              | All   |
| <b>Keywords/Index</b>                              | Housing Capital Program, 5 year, Procurement  |

**Purpose of Report:**

To seek authority to procure multiple contracts to deliver the planned programme over a 5-year period – 2024-2029, ensuring that we deliver on our programme of safety works and home upgrades as we continue to deliver safe and genuinely affordable homes for our residents.

**1. Recommendations**

That Cabinet:

- 1.1 Authorises procurement of multiple contractors to deliver the planned program for 2024-2029 and the variation to the Housing Procurement Strategy previously agreed by Cabinet in Jan 2023, which approved the use of short-term interim procurement arrangements.
- 1.2 Authorises the Strategic Director of Housing & Environment following consultation with the Portfolio Holder for Genuinely Affordable Homes, Strategic Director of Corporate Resources and the Director of Legal and Democratic Services, to invite and evaluate the contracts with values set out in Confidential Appendix A of up to 5 years each with an option to extend for up to another five years.

- 1.3 Delegates authority to the Strategic Director of Housing & Environment following consultation with the Portfolio Holder for Genuinely Affordable Homes, Strategic Director of Corporate Resources and the Director of Legal and Democratic Services to award contracts following the procurement procedure referred to in Recommendation 1.2.

## **2. Reason for Decision and Options considered**

- 1.1. The Housing Procurement Strategy was approved by Cabinet on 25 January 2023 and recommended that contracts will be of a duration of a minimum of 4 years but ideally longer term, with contractual break clauses (e.g., 5 years plus 5 years) moving away from a spot purchase-based approach, to foster better working relationships with contractors and make the contracts attractive to the market, encourage investment by contractors and encourage a partnership-based approach.
- 1.2. The Housing Procurement Strategy initially identified 23 contracts relating to the delivery of repairs, maintenance, compliance, and planned works. Further stock evaluation and changes to legislation suggest that additional works required may lead to additional contracts being required in addition to those already identified.
- 1.3. The Housing Procurement Strategy identified 8 contractor lots to be awarded in a geographical split across the borough. Market engagement has identified that this would offer us the most efficient route to achieve value for money. The budgets will be in line with the HRA Business plan which will be approved in February 2024, and these remain in development.
- 1.4. The Housing Procurement Strategy recommended market engagement prior to procurement. This work has been completed and forms the basis for the changes this report seeks to have approved.
- 1.5. Cabinet approved the HRA 5-year Capital Programme on 25 January 2023. As noted above this will be refreshed and will be considered and approved at February 2024 cabinet.
- 1.6. It is anticipated that from approval of the recommendations it will take 6 months to complete procurement and have contractors ready to deliver any capital works.
- 1.7. Currently limited capital contracts are in place to enable delivery of capital works from quarter 1 2024. Limited capital works can be undertaken with current procured contractor resources. If recommendations 1.1 and 1.2 are approved, the delivery of capital programme would be phased from quarter 2 and fully commence in quarter 3 of 2024. Although only limited works would be completed in quarter 1, the broader strategic approach would significantly improve the procurement benefits and future delivery opportunities.

- 1.8. Work is currently in progress to produce full specifications for all works required to enable procurement to commence once approval is granted. This will also include defining the routes to market. All routes to market will be fully compliant with the council's CPRs and PCR 2015.
- 1.9. Final contract values will be determined once the HRA budget is approved in February 2024. Procurement will not commence until approval of HRA budget in February 2024. Delivery of any elements of the capital programme requiring procurement would be delayed until July 2024, however this has been factored into our plan. Confidential Appendix 1 provides an indicative costed plan for 24/25 and indicative values for a 5 year plan.
- 1.10. Following initial feedback from market engagement and advice from external experts (Lumensol), procuring short term contracts for any capital program would result in poor contractor engagement, poor value for money and potential reputational risk for the council.
- 1.11. A 1+1 term capital program would take 6 months to complete procurement and have contractors ready to deliver any capital works.
- 1.12. A minimum of 5 years is industry standard for capital contracts with the option to extend for a further 5 years. This is benchmarked within the industry to ensure true partnering contracts are placed.
- 1.13. Stock condition reports will inform the planned programme from 2025 onwards. We expect there to be variations to the programme as a result of the information this will provide, and we will manage this through the flexibility of the contracts we procure.

### **3. Key Implications**

- 3.1. Failure to gain approval to proceed with procurement will result in the council being unable to deliver the necessary investment in health and safety works and other elements of the housing capital programme.
- 3.2. Currently limited capital contracts are in place to enable further delivery of capital works from quarter 1 of 2024.
- 3.3. It is anticipated that from approval of the decision to procure, it would take 6 months to complete procurement and have contractors ready to deliver any capital works. The contracts focus on high-risk M&E requirements directly relating to building safety and our need to be compliant.
- 3.4. Our advisors (Lumensol) who have assisted with shaping the market brief and strategy have advised, that given the current market conditions, we would receive very little interest from the market, should we offer any term less than 5 years. Those that may express an interest would price accordingly and would not take a true partnering approach or provide VFM. At the time of writing, we have received 40 expressions of interest.

## **4. Financial**

4.1. The financial impact of the procurement strategy notes the service and inflationary challenges, and these are contained within the overall revenue and capital budgets of the approved HRA 30-year business plan. These budgets are reviewed annually. As noted previously the indicative values for 24/25 and for 5 years are noted in Confidential Appendix 1 and these will be subsequently confirmed at Cabinet in February 2024.

## **5. Legal**

5.1. All procurement will be in line with Ealing Councils CPRs and fully compliant with PCR 2015

5.2. The type of individual contracts will be determined on a case-by-case basis following full advice from Ealing Legal team.

5.3. Section 20 of the Landlord & Tenant Act 1985 (as amended by the Commonhold & Leasehold Reform Act 2002) sets out a three-stage consultation process which must be followed when carrying out qualifying works to a building where the contribution from any one lessee exceeds £250, or a qualifying long-term agreement where the contribution from any one lessee exceeds £100 in one financial year. Section 20 consultation with leaseholders may have a significant impact on the timing of the procurements and subsequent award of contracts.

## **6. Value For Money**

6.1. Procuring a minimum of 5-year contracts will produce best value for money for the council, as stated above, short-term contracts will be more expensive. Our advisors (Lumensol) who have assisted with shaping the market brief and strategy have advised that given the current market conditions, we would receive very little interest from the market, should we offer any term less than 5 years. Those that may express an interest would price accordingly and would not take a true partnering approach or provide VFM. We have produced a matrix to create combined packages to reduce the volume of contracts and to appeal to a broader supply chain.

This will also be influenced from the feedback from our market testing to ensure we have an agile and proportionate approach to our procurement and delivery model.

If we were to procure on a shorter timeline other than our proposed strategy, this would have a significant impact on our ability to meet the Decent Homes standards bringing reputational risk and possible intervention from the regulator. Delays to planned capital works would drive additional cost and resource requirements into the revenue account and repairs team.

- 6.2. Each new contract will be assigned a clear contract administrator within the planned team, with the head of Capital Programmed Delivery having overall responsibility.
- 6.3. Monthly operational and Quarterly strategic reviews will be established with all contracts to maximise performance and cost savings.
- 6.4. Annual reviews will be written into all contracts for CPI changes and to agree the following year's programme value.

## **7. Sustainability Impact Appraisal**

- 7.1. All procurement will follow Ealing sustainability guidelines.

## **8. Risk Management**

- 8.1. A risk register will be established as part of the contract management approach and will be reviewed at contract management and operational management meetings. The risk register will include mitigating actions for minimising inherent and emerging risks and the monitoring of these actions will form part of the review.

## **9. Community Safety**

- 9.1. None.

## **10. Links to the three Key Priorities for the Borough**

- 11.1. This initiative links to the three key priorities.
- fighting inequality
  - tackling the climate crisis
  - creating good jobs.

## **11. Equalities, Human Rights and Community Cohesion**

- 11.1. None

## **12. Staffing/Workforce and Accommodation implications:**

- 12.1 None

## **13. Property and Assets**

- 13.1. This initiative relates to the ongoing improvement of the council's housing stock.

## **14. Any other implications:**

- 14.1. None

## **15. Consultation**

- 15.1. Finance, Legal, Commercial Hub and JCB have been consulted.
- 15.2. Lead member for genuinely affordable homes.

## **16. Timetable for Implementation**

The implementation of the housing procurement strategy commenced in Feb 2023, following the completion of the market engagement exercise and development of the procurement lots, a detailed timetable will now be developed.

**17. Background Information**

**Consultation**

| <b>Name of consultee</b> | <b>Post held</b>                              | <b>Date sent to consultee</b> | <b>Date response received</b> | <b>Comments appear in paragraph:</b> |
|--------------------------|---|-------------------------------|-------------------------------|--------------------------------------|
| <b>Internal</b>          |   |                               |                               |                                      |
| Nicky Fiedler            | Strategic Director                            | 29/11/2023                    | 30/11/2023                    |                                      |
| Dawn Kent-Payne          | AD Housing & Asset management                 | 27/11/2023                    | 28/11/2023                    |                                      |
| Paul Woodham             | Head of capital programme delivery            | 26/11/2023                    | 28/11/2023                    |                                      |
| Chuhr Nijjar             | Senior Contracts Lawyer                       | 13/12/2023                    | 22/12/2023                    |                                      |
| Emily Hill               | Strategic Director Resources                  |                               | 13/12/2023                    |                                      |
| Cllr Bassam Mahfouz      | Cabinet Member for genuinely affordable homes | 01/12/2023                    | 14/12/2023                    |                                      |
| Zamil Ahmed              | AD Commercial hub                             |                               | 14/12/2023                    |                                      |
| Russell Dyer             | AD Accountancy Finance                        |                               | 14/12/2023                    |                                      |
| <b>External</b>          | Lumensol                                      |                               |                               |                                      |

**Report History**

| <b>Decision type:</b> | <b>Urgency item?</b>                        |
|-----------------------|---|
| Key decision          |   |
| Report no.:           | Report author and contact for queries:      |
| Dawn Kent-Payne       | Assistant Director Housing Asset Management |
| Paul Woodham          | Head of capital programme delivery          |