

Report to Cabinet

17 January 2024

Subject:	Housing & Asset Management Procurement Approvals
Cabinet Member:	Cabinet Member for Housing and Built Environment, Councillor Laura Rollins
Director:	Interim Director of Housing, Dean Epton
Key Decision:	Yes
Contact Officer:	Philip Deery, Assistant Director Building Safety and Compliance Phil_deery@sandwell.gov.uk

1 Recommendations

- 1.1 That the Interim Director of Housing be authorised to continue procurement for the HIP Programme based on previous Cabinet Approval with increased funding to a total value of £100million.
- 1.2 That the Interim Director of Housing be authorised to commence the procurement process for the Domestic Gas Appliance contract.
- 1.3 That approval be given to the alterations to the delivery model for Social Housing Decarbonisation Fund (SHDF) Wave 2.1, for Sandwell MBC to act as Principal Contractor and procure a range of providers for energy efficiency works
- 1.4 That the Interim Director of Housing be authorised to award contracts as set out in 1.1 to 1.3 above to the successful bidders, following a compliant procurement process that meets Public Contract Regulations 2015 and Sandwell Corporate Procurement Procedures.



2 Reasons for Recommendations

2.1 Home Improvement Programme (HIP) Term 2024-2028, Value £100m

2.1.1 Cabinet have previously approved decisions to award contracts for the procurement and contract award of Internal Improvement Works and External Improvement Works as contained in the Cabinet Reports stated in Section 7 of this report

2.1.2 As part of the procurement review and rationalisation of contracts in Housing and Asset Management, opportunities have been identified to amalgamate spend from the following contracts, into a single procurement exercise under a HIP Contract.

2.1.2.1 Internal Improvement Programme

2.1.2.2 External Improvement Programme

2.1.2.3 Windows & Doors

2.1.2.4 Composite Fire Doors

2.1.2.5 Soil Stack Programme

2.1.2.6 Kitchen & Bathroom Replacement

2.1.2.7 Roof Replacement

2.1.3 The benefits to amalgamating the contracts are

2.1.3.1 Improved Social Value outcomes from amalgamated spend

2.1.3.2 Improved efficiency with one Contract to manage

2.1.3.3 Consistency in our approach to Contract Management

2.1.3.4 Consistent Key Performance Indicators that drive required outcomes

2.1.3.5 Create the opportunity to drive improved value and returns from the Contract

2.1.4 The four year term will be split on a 3+1 term, meaning that we have the option to break the Contract at the end of Year 3, after assessing the requirements of the Authority, changes in legislation for Decency and also the external market pressures.




- 2.1.5 The contract will be accessed through an OJEU compliant framework, saving time and cost, but more importantly, allows forms of contract and KPI's to be used that assist the Contract Management teams to manage the Contractors more robustly.
- 2.2 Due to time constraints the procurement process has been initiated through a framework, however it is important to note that in the event Cabinet does not approve the uplift we reserve the right to withdraw the Tender at no risk to the Authority and without penalty or risk to reputational damage.
- 2.3 Domestic Gas Appliances, Term 2024-2027, Value £14.5m**
- 2.4 The current contract for Domestic Gas Appliances expires 31st July 2024.
- 2.5 A review of the current run rate and requirements for replacement appliances has been undertaken and volumes are identified for each contract year.
- 2.6 Inflation of 6% has been applied to the current contract and subsequent years in order to allow for external market and economic impacts.
- 2.7 Whilst we still consider the installation of domestic gas appliances as a significant part of the future asset management strategy, we will be developing the decarbonisation strategy for housing during this contract term which will impact the value of this contract in future years.
- 2.8 Alternative delivery model for SHDF Wave 2.1**
- 2.9 A report dated 7th June 2023 was approved by Cabinet for the SHDF Wave 2.1 works to be delivered through the External Improvement Partner (once appointed).
- 2.10 Following a review of the delivery and cost model, an Options Appraisal has been conducted with three options considered:



- 2.10.1 Option 1 - Appointment of a Principal Contractor through a full procurement process
- 2.10.2 Option 2 - Appointment of a Principal Contractor through an existing framework
- 2.10.3 Option 3 – Sandwell MBC to act as Principal Contractor to deliver the works through a number of approved supply chain partners.

2.11 The chosen route was Option 3, as this provided best value to the Authority, improved control of programme, cost and quality, and also gave the opportunity to increase the number of properties that could be delivered with the same value of grant funding available, therefore having a positive impact on the lives of more residents of Sandwell.

3 How does this deliver objectives of the Corporate Plan?

	<p>Quality Homes in Thriving Neighbourhoods</p> <p>The provision of housing refurbishment, repairs, and maintenance works are key services for the housing department and Council as a whole. The services impact directly on the lives and wellbeing of residents living in over 26,000 Council owned properties. The services will also help to deliver key Council priorities to reduce carbon emissions, meet obligations relating to decent homes standards and ensure continued compliance with a range of essential landlord functions.</p>
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4 Context and Key Issues

4.1 Like all local authorities, the Council uses external providers to deliver a wide range of its services and meet its statutory duties to residents and service users. Providers range from global businesses to small and local specialist suppliers.



- 4.2 In each case, the Council must procure services in accordance with its own Contract Standing Orders, which set out the Council's own procurement rules to ensure it acts fairly and obtains best value when spending public money. Contracts which have a contract value in excess of the statutory financial thresholds for works or services/supplies must also be procured in compliance with the Public Contracts Regulations 2015 (PCR2015).
- 4.3 The Council has an overriding duty to achieve best value in the procurement of goods, services and works. This, at minimum is achieved by undertaking a fully planned procurement process, which would usually take 12/18 months including but not limited to assessing demand / need for the services, market analysis and soft market testing, financial analysis and the planned design of the most suitable specification and criteria that would respond to Council's needs and ensure value for money.
- 4.4 To deliver best value, a successful procurement should be followed by effective performance management of the contractor once in place, based on a robust contractual framework. In turn, performance management should inform Council decisions on whether or not a contract should be extended, if the contract allows for this.

5 Alternative Options

- 5.1 The alternative options considered for the procurement and the delivery of the HIP Contract would be to continue with the same procurement routes as we have previously.
- 5.2 This option was discounted based on the previous experiences of procurement in Housing and Asset Management. To amalgamate contracts, improve outcomes and drive increased outcomes is a preferred option for this and future tender opportunities that exist in the pipeline.
- 5.3 The domestic gas appliance contract is mandatory for compliance.



6 Implications

<p>Resources:</p>	<p>The £114.5m expenditure over 4 years has been included in the recent review of HRA capital budgets.</p> <p>The procurement approach recommended for these contracts will meet the Council's statutory duty to ensure it achieves best value, and that includes ensuring procurement of services is undertaken in a way that is effective in delivering desired outcomes, including those relating to social value, whilst ensuring value for money is achieved.</p>
<p>Legal and Governance:</p>	<p>The Council has power to enter into contracts under its powers of general competence under s.1 of the Localism Act 2011 and none of the limitations to this power apply to this decision. The contracts discharge a range of statutory functions imposed or contractual obligations on the Council and the Council may be at risk of legal action if it stops the delivery of those services.</p> <p>Local authorities have numerous statutory duties as a residential landlord including requirements to undertake consultation under s.20 of the Landlord and Tenant Act 1985 and Service Charges (Consultation Requirements) (England) Regulations 2003 and must design the procurement process accordingly.</p> <p>Procurement of works and services through a competitive process, compliant with the Public Contracts Regulations 2015 (PCR2015) must meet the advertising requirements such as publication of a Contract Notice. PCR2015 applies to all the Council's contracts for services valued above £213,477 and where the object of the procurement is predominantly construction above £5,336,937 (figures inclusive of VAT). An appropriate procedure as set down in PCR2015 needs to be selected. Compliance with PCR2015 will result in a lawful procurement strategy</p>



	and shall meet the requirements of the Councils' Contract and Financial Regulations.
Risk:	<p>There are a range of sector specific challenges currently in relation to increasing building cost inflation, contractors' supply chains, capacity, and the ability to attract appropriately experienced and qualified people are all challenging and present issues at a time when Council HRA and General Fund Budgets are also under pressure.</p> <p>The Council will need to ensure that client-side and procurement functions can manage the services and works the Council procures. The Council will need to manage its internal capacity to deliver and ensure that any new contracts are mobilised efficiently and that expenditure made under new contracts is undertaken wholly in accordance with contract and financial regulations, and only within authorised limits supported by regular ongoing monitoring.</p> <p>Any new contractual arrangements will also need to support the delivery of our Asset Management System and Strategy. This relies on an intelligent data driven approach to decision making and ultimately the delivery of our services.</p>
Equality:	No direct implications arising from the recommendations.
Health and Wellbeing:	<p>Housing standards play a significant role in our residents' health and safety and well-being. There will be requirements within the procurement covering policies and procedures contractors will operate to discharge their health and safety duties, including subcontractors if relevant, and to demonstrate how they will eliminate hazards and control risks, explaining the roles and responsibilities of the person responsible for managing health and safety, including procedures for monitoring.</p> <p>Health and safety, compliance and keeping our residents secure will form key aspects of service</p>



	<p>delivery. The Council will need to have regard to current and upcoming regulations and legislation including the Fire Safety Act 2021 and the Building Safety Act 2022.</p>
Social Value:	<p>Each contract that is procured includes a Social Value Action Plan. Specific targets related to the contract are agreed to drive economic benefit, improved employment opportunities and align to the Council's Corporate Parenting strategy.</p> <p>Social Value Action Plans are monitored through the contract term to ensure outcomes are achieved.</p>
Climate Change:	<p>There is significant opportunity through the redesign of the requirements for these services to support the delivery of the Council's ambitious targets for carbon reduction.</p> <p>The Council's Climate Action Plan sets a target that all its operations are carbon neutral by 2030 and to be a carbon neutral Borough by 2041. Specifically, this includes energy use in communal areas. This will mean that any future contractor will need to ensure that the outcomes of the proposed delivery of contract conforms and contributes to meeting this target.</p> <p>The sustainability principles around energy efficiency will be embedded within the Contract Specification, bringing broader benefits to residents around energy costs and healthy living.</p> <p>There is further opportunity to review how carbon reductions can be achieved through the contractors fleet and staff travel, opportunity for waste reduction, reuse and repair of materials, potential opportunities to support biodiversity enhancement and broader alignment with behavioural change programmes and other energy efficiency measures offered through other schemes.</p>
Corporate Parenting:	<p>Linked into our Social Value Action Plans, Corporate Parenting can play a key role in ensuring disadvantaged young people are given the</p>



opportunity for a better start in life and support them through their transition into independent living.

An opportunity exists through this re-procurement exercise for Corporate Parenting will be included into future procurement activity, ensuring that outcomes are agreed, monitored, and delivered, improving the lives of people across our Borough.

7 Appendices

No appendices attached

8 Background Papers

- 8.1 Cabinet Paper – Asset Management Investment Programme for Housing 23-24 dated 18th January 2023.
- 8.2 Cabinet Paper – Asset Management Investment Programme for Housing 22-23 dated 18th May 2022.
- 8.3 Cabinet Paper - Social Housing Decarbonisation Fund – Wave 2.1 Funding dated 7th June 2023

