

11 March 2020

<b>Report of</b>	<b>Assistant Director for Place &amp; Client Services</b>	<b>Author</b>	<b>Clare Lawrance</b> ☎ 282506
<b>Title</b>	<b>Request for Delegated Authority for the Award of HRA Contracts 2020</b>		
<b>Wards affected</b>	All wards		

## 1. Executive Summary

- 1.1 Within the Housing Revenue Account (HRA), the Council owns almost 6,000 affordable homes, benefitting people in need of social housing. The housing stock is managed through an Arm's Length Management Organisation (ALMO), Colchester Borough Homes (CBH). Each year a number of maintenance contracts are managed in accordance with a Housing Investment Programme that keeps these homes in a suitable condition, as part of an ongoing planned approach set from the HRA Asset Management Strategy and 30-year HRA Business Plan.
- 1.2 This report sets out the maintenance contracts that are due to expire over the next year, that need new contracts to be procured and awarded for the Housing Investment Programme in 2020/21. These are contracts that are likely to require Cabinet approval due to estimated costs (over £500k for the scope of the contracts, over multiple years).
- 1.3 The report seeks delegation of powers to the Portfolio Holder for Housing and Communities to approve the award of these contracts as they arise, which will make those awards smoother and faster if they arise between meetings scheduled for the next year. A similar decision was taken in 2018, which was concluded successfully over the subsequent 'delegated contract awards'.
- 1.4 In addition, the Council agreed, in January 2019, to deliver a new Council Housebuilding Programme that delivers 350 affordable homes over 5 years. One of the schemes that forms part of that programme is the demolition and redevelopment of Elfreda House, to provide better, fit for the future, sheltered housing (also with 7 additional units of accommodation). This scheme is due to commence in Spring 2021, with existing tenants already having started to be re-homed locally; and the chosen scheme will shortly progress to a planning application, before contract procurement.
- 1.5 The report therefore also seeks confirmation of agreement to employ CBH, a Teckal exempt company (owned by the Council), to manage this project on behalf of the Council, with related fees.

## 2. Recommended Decision

- 2.1 To delegate authority to the Portfolio Holder for Housing and Communities for the award of the contracts set out in this report, for works within the Housing Investment Programme 2020/21.

- 2.2 To agree the appointment of CBH and delegate agreement of their fees for the re-development of Elfreda House to the Assistant Director Place & Client Services, in consultation with the Portfolio Holder for Housing and Communities.

### **3. Reason for Recommended Decision**

- 3.1 In the last ten years, the Council has procured HRA capital works contracts for between 1 and 3 years with an option to extend subject to performance. A number of these arrangements have naturally come to the end of the contracts term or will in the coming months. During 2020 there will therefore be several procurement exercises which will require approval of a contract award. These are forecast throughout the year, with thorough scrutiny through the procurement process in seeking value for money and high-quality contractors.
- 3.2 Once evaluated, then awarded, a contractor requires mobilisation time, with transition in from one contract to another (unless a new contract is awarded to the same contractor, but this is only if it is on merit of their new contract bid). For reasons of expediency this report requests delegated authority to award those contracts as they arise, in the event that a delay to coincide with Cabinet meeting timetables would lead to a delay in the handover of any contracts in 2020/21.
- 3.3 Cabinet also agreed to the redevelopment of Elfreda House in January 2019. The project has since been progressed on schedule and a continued budget for this project for 2020/21 was approved in January 2020. The project has been progressed with CBH collaboration and the intention was always that they would be appointed as a Teckal company, owned by the Council, to help deliver the planning and construction phases of the redevelopment of a building that they already manage on behalf of the Council.

### **4. Alternative Options**

- 4.1 Not to delegate the powers requested; but this would then need to be individually reported to Cabinet for each contract award increasing the time and resourcing required, for a procurement process that is already heavily scrutinised and regulated. The time/benefit balance would therefore suggest that delegation to the PFH would be more effective and efficient use of Council resources, without introducing risks.

## **5. Background Information**

- 5.1 The Housing Investment Programme (HIP) is funded by the HRA and is currently an investment of around £10m across the housing stock per year. Simplistically, the HRA receives the social and affordable rents and income from Council housing that is then ring-fenced within the HRA (a separate account to the General Fund) to be invested back into the social housing stock (whether in maintenance of existing stock, or provision of new affordable homes; that then increases the income back into the HRA in future years to pay for itself). The HIP therefore includes the planned and reactive replacement of building elements, such as electrics, heating, windows, doors, kitchens and bathrooms etc, on a cyclical basis. The HIP is based on the expected notional life of those elements. This is verified by a stock condition survey of identified properties.
- 5.2 Once it has been identified that a large number of properties require similar investment then the necessary budget, part of a 30-year HRA Business Plan to manage the funds and property in the HRA, is approved by Cabinet (in January each year) to fund the investment. This work is then collated into packages of works that can be contracted together to provide value for money and economies of scale, consistency of works across the stock, relationships with contractors familiar with the Council's needs and property etc. An appropriate procurement route is identified in advance and ultimately a contractor is selected to enter into a suitable contract for the delivery of the works.
- 5.3 Previously the Council has entered into contracts on a variety of terms, whether small or large contracts, and whether for single or multiple years, and this experience informs the basis on which each element of the programme is delivered.
- 5.4 In May 2018 Cabinet approved the delegation of authority for the (then known) contracts to the relevant portfolio holder. This covered the award of HIP contracts until 2019. A specific contract for the award of a contract to refurbish vacated properties and put them straight back into use (voids contract) was also delegated to manage the cessation of a poorly performing contract and transition smoothly over to a new contractor (with shorter notice than usual). Therefore, delegation of contracts is not a new idea, and has been tested with benefits, and no resultant risk have emerged to date.
- 5.5 During 2019 a few contracts were also appointed under a different approach to the main elements of kitchens and bathrooms when additional contracting was employed to test success in attracting more SMEs (Small or Medium-sized Enterprises) to encourage more local tradesmen and businesses to bid for smaller packages of works they could cater for. These budgets were delegated to CBH and approved under their scheme of delegation. This approach proved successful with lower costs and high levels of customer satisfaction, so is being continued in 2020 (although it increases the resourcing of multiple contracts so is not advisable on all types of works).
- 5.6 This will also not be possible in future years as we approach an upsurge in the number of kitchens and bathrooms requiring replacement due to coming to the end of a 30-year life expectancy at the same time (following a largescale replacement in the early-1990s in response to decent homes changes). This will need a larger contractor operating over a longer term and so will be procured as a capital contract from 2021 onwards in order to start addressing this upsurge over several years, rather than in one year, as part of the planned approach, which will spread a further upsurge in another 30 years.
- 5.7 The delegation of the HRA contracts would therefore assist in a timely, smooth, contract renewal or replacement process over the next year, for known contracts that will emerge. These contracts include:

- Window and Door Replacements
- External Decorations
- Heating System Renewals

- 5.8 In addition to the above maintenance-related contracts the Council is progressing the redevelopment of Elfreda House. It was previously agreed that Elfreda House was beyond its lifespan in that it was no longer meeting our own standards set for modern living. The building will be demolished and replaced with a new building that provides high-quality sheltered housing fit for the future. This will achieve 7 additional homes within the new scheme at the same time as improving quality of living.
- 5.9 To continue to progress the scheme through RIBA stages 3-7, planning phase, to construction and completion, it is proposed that the Council employs CBH to manage the delivery of the project phases. CBH already manages this building and knows the residents and property well. Once planning permission has been successfully obtained, the award of the construction contract for this project will still be decided by Cabinet (later this year) after a procurement process. The expected start on site for this project is Spring 2021, subject to the final rehousing of existing residents (with around 50% already having moved to local accommodation elsewhere).

## **6. Equality, Diversity and Human Rights implications**

- 6.1 Implications for Equality, Diversity and Human Right will be considered in all contract awards. However, it is generally thought that investment in and the appropriate maintenance the Council's housing stock has overwhelmingly positive implications for tenants and residents of the Borough.
- 6.2 The Equality Impact Assessment for the Council's Housing Investment Programme is [here](#).

## **7. Strategic Plan References**

- 7.1 This decision is part of delivering against responsibility and wellbeing priorities in the Council's Strategic Plan 2018-21:
- Grow - Help make sure Colchester is a welcoming place for all residents and visitors
  - Wellbeing - Target support to the most disadvantaged residents and communities

## **8. Consultation**

- 8.1 Tenants of all housing stock will be consulted in the coming year as part of a review of the Asset Management Strategy. The Asset Management Strategy will include specific reference to a suitable Procurement Strategy for HIP works.
- 8.2 Residents of Elfreda House were consulted prior to the commencement of rehoming, and progression of any plans for redevelopment, at their home site, throughout 2019 and ongoing through 2020. Neighbours to that site have been notified of intended works and will be consulted on any planning application.

## **9. Publicity Considerations**

- 9.1 All residents are notified of major contract awards via the Resident Newsletter. Affected tenants are notified well in advance of works taking place and consulted about the specific impact on them and their household.

## **10. Financial implications**

- 10.1 The budgets for the Housing Investment Programme were agreed by Cabinet on 29<sup>th</sup> January 2020. The budget for Elfreda House was estimated at the time of approval in January 2019, and is included in subsequent annual budgets, and will be confirmed once successful tendering of a construction contract has been received (which will come to the Cabinet to approve).

## **11. Health, Wellbeing and Community Safety Implications**

- 11.1 It is broadly expected that communities where these works will take place will be positively affected by the completion of the works. Improved buildings and estates reduce anti-social behaviour and crime, improve health and associated outcomes for residents and communities.

## **12. Health and Safety Implications**

- 12.1 Contractors bidding for works are expected to demonstrate a strong track record and high level of competence in managing Health and Safety through the procurement process.

## **13. Risk Management Implications**

- 13.1 None expected.

## **14. Environmental and Sustainability Implications**

- 14.1 The Council's approach to meeting its carbon ambitions excludes the majority of the rented housing stock. Only sheltered housing blocks are likely to be included in the baseline calculations by the Carbon Trust. The housing stock covered by these contracts are likely to include both types of property and any potential benefit will be considered in the drafting of the contract specification and scored accordingly.

## **Appendices**

N/A

## **Background Papers**

N/A