

CABINET MEMBER DELEGATED DECISION

8 JULY 2019

Report title: Design of Housing Services after 2020

Wards: All

Portfolio: Cabinet Member for Housing: Councillor Paul Gadsby

Report Authorised by: Bayo Dosunmu, Strategic Director for Resident Services

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Report summary

This report seeks the approval to start redesigning the current housing repair, maintenance and capital work contracts which expire towards the end of 2020.

These soon-to-expire contracts include: major works (23,000 homes improved since 2011), day-to-day repairs (70,000 repairs per annum), grounds maintenance, estate cleaning, block cleaning, void property repairs, lift maintenance, gas servicing, electrical systems, water supplies, door entry systems and concierge.

Given that all of the current contracts expire at a similar time and to avoid reprocurring the status quo, Resident Services is seizing the opportunity to strategically review its Housing service, undertake an appraisal of the service delivery options available, and identify opportunities for cross-directorate service alignment. This will result in a service redesign with a radically different structure that has an ethos focused on strong contract management and governance – including the establishment of a dedicated contract scrutiny and cost management team. All of the current contract lots will also be disregarded in pursuit of best-fit delivery arrangements going forward, in order to achieve the following:

- a. Direct delivery of some services, including an opportunity to bring grounds maintenance services under the remit of our award-winning Lambeth Landscapes team
- b. Creation of a small direct labour organisation (“DLO”) for repairs
- c. Enhanced social investment and impact within the borough and contribution towards the Council’s commitments to tackling the climate crisis
- d. Greater flexibility and competition
- e. Greater service quality and performance management
- f. Reduction in the number of contracts and associated client-contractor interfaces
- g. Leaner and more straightforward clienting arrangements
- h. Eliminate duplication across directorates
- i. Enhanced resident involvement and scrutiny

Finance summary

The aggregate value of all the work streams to be redesigned is expected to be in the region of £80m per annum, with an approximately even split between capital and revenue. Any such expenditure and the commencement of any associated service delivery arrangements will be subject to Cabinet approval and the Council's procurement process.

Recommendations

1. To design a small Direct Labour Organisation (target of 20 people – including apprentices) to directly deliver a range of targeted repair services (communal repairs for example).
2. To develop a proposal for the direct delivery of grounds maintenance services by Lambeth Landscapes.
3. To integrate the external estate based cleaning service, including litter-picking, detritus removal, graffiti removal, fly-tip removal, bulky waste collections and winter gritting, into the procurement of the new public highway and street cleansing service contract.
4. To integrate housing office cleaning into the procurement of the new Facilities Management service contract.
5. To procure long term contracts capable of effectively delivering the following services, split into contracts for North and South of the Borough:
 - a. Responsive repairs - incorporating void property repairs, gas servicing, door entry systems, landlord electrical and water supply systems
 - b. Lift servicing
 - c. Lambeth Housing Standard / Decent Homes and cyclical maintenance
6. To explore options for a borough-wide delivery model for the following services:
 - a. Block-based cleaning
 - b. Concierge
7. To procure framework arrangements capable of providing of the following services on a borough wide basis:
 - a. Complex major work projects (building fabric/structure)
 - b. Complex major work projects (mechanical and electrical)
 - c. Multi-disciplinary consultancy support

Reasons for Exemption from disclosure

None

1. CONTEXT

- 1.1 Housing repairs, maintenance and capital major works are currently delivered through 16 long-term contracts, all of which expire in 2020 - with no further contractual opportunities to extend their expiry dates. The current contractual arrangements are summarised in the following table:

Contract		Area	Work Content
1	Mears	North	Repairs, Voids, Planned Maintenance, Estate Cleaning, Grounds Maintenance
2	Morrison	Centre	Repairs, Voids, Planned Maintenance, Estate Cleaning, Grounds Maintenance
3	Mears	South	Repairs, Voids, Planned Maintenance
4	Engie	South	Estate Cleaning, Grounds Maintenance
5	OCO	North	Gas Servicing, Water Storage, Landlord Electrics
6	T-Brown	Centre	Gas Servicing, Water Storage, Landlord Electrics
7	Mitie	South	Gas Servicing, Water Storage, Landlord Electrics
8	Openview	North	Door Entry
9	Alphatrack	Centre	Door Entry
10	Alphatrack	South	Door Entry
11	Precision	North	Lift Servicing
12	Apex	Centre	Lift Servicing
13	Apex	South	Lift Servicing
14	Breyer	North	Lambeth Housing Standard
15	Mears	Centre	Lambeth Housing Standard
16	Engie	South	Lambeth Housing Standard

- 1.2 The current contracts are very inflexible in that they offer most contractors area-based exclusivity, which precludes the Council from being able to reallocate work as it sees fit. The forms of contract used are also very complex and do not offer the Council a straightforward clienting and performance management solution.
- 1.3 The inflexibility and complexity of the current arrangements prompted Resident Services to undertake a strategic service review and options appraisal – considering all available delivery routes against a matrix of organisational objectives and stakeholder aspirations.
- 1.4 In order to achieve value for money Resident Services is factoring other service areas into its review – parks and open spaces, street cleansing and waste collection, and facilities management – given that the current delivery arrangements broadly expire at the same time – save for parks and open space maintenance which is directly delivered through an in-house team. Resident Services will look to design contracts that will be tendered competitively, and provide best value through economies of scale, as well as providing advantages to the Council through removing duplications around contract management for contracts delivering similar services.
- 1.5 Cost certainty is also among the key considerations in determining best-fit service delivery models going forward, particularly given the Council's future priorities around fire safety work (£5million has already been spent in the last year on improving the fire safety across our housing stock).

Borough Plan

- 1.6 The Borough Plan ("The Future Lambeth: Our Borough Plan 2016-2021") is being considered in recommending best-fit delivery routes. Recommendations will specifically contribute towards the

Borough Plan outcomes by improving the quality of housing within the borough and reducing inequalities in education, skills and employment – and ensuring more residents are paid the London Living Wage or higher.

Responsible Procurement

- 1.7 A key consideration in determining delivery routes is the Council's Responsible Procurement Policy and specifically the 6 social value priorities and the Council's climate change commitments. The Public Services (Social Value) Act 2012 will also help deliver against these priorities – with particular emphasis on the creation of quality training, apprenticeships and targeted employment opportunities.

Legislation

- 1.8 In addition to the Social Value Act, the Public Procurement Regulations 2015 ("PCR 2015") will be a key consideration in determining the recommended service delivery routes. Whilst compliance with the PCR 2015 helps to ensure a transparent and fair process, it limits the Council's autonomy in selecting the type of service provider and the nature of the delivery models. For example, the PCR 2015 restricts frameworks to 4 years.

2. PROPOSAL AND REASONS

- 2.1 Given that all of the current contracts expire at a similar time, Resident Services is able to undertake a high-level appraisal of the service delivery options available in the market and any opportunities for cross-directorate service alignment to achieve more benefits - rather than simply re-procure the status quo. This process also includes the formation of a resident procurement panel to ensure resident views and aspirations fed into the matrix of objectives. This will all result in a service redesign with all of the current contract lots being disregarded in pursuit of best-fit delivery arrangements going forward.
- 2.2 The high-level strategic procurement objectives sought from the review include:
- a. Directly deliver services where feasible.
 - b. Take a long-term strategic approach to asset management
 - c. Create opportunities to make significant impact and deliver against the Council's social value priorities and climate change commitments
 - d. Eliminate duplication across directorates and where possible build services which are universal for all residents
 - e. Design services that can be delivered via a lean client team and using straightforward processes
 - f. Ensure a seamless transfer of services from incumbent arrangements to those recommended
- 2.3 To help achieve the strategic objectives, Housing has created a Project Board to steer the appraisal and reprocurement process – which includes representation from different directorates. The Project Board appointed a leading housing and asset management consultancy via an open tender exercise, to undertake a procurement options appraisal of the services:
- a. Responsive repairs
 - b. Void property repairs
 - c. Capital works to housing (internal and external)
 - d. Planned maintenance i.e. cyclical decoration and planned preventative maintenance
 - e. Estate cleaning and block cleaning
 - f. Concierge
 - g. Grounds maintenance
 - h. Lift maintenance

- i. Gas servicing
- j. Landlord electrical systems and water supplies
- k. Door entry systems
- l. Consultancy support arrangements

Options Appraisal

- 2.4 The consultants were asked to appraise and consider a range of delivery mechanisms in recommending what it broadly considers to be best-fit procurement routes:
- a. Joint ventures
 - b. Externally managed services
 - c. Wholly owned subsidiaries
 - d. Long-term contracts
 - e. Framework agreements
 - f. Direct labour organisations
 - g. Shared services
- 2.5 The specific objectives against which the work streams and potential procurement routes were assessed are as follows:
- a. Efficient clienting arrangements
 - b. Straight forward performance management mechanisms
 - c. Flexible service delivery arrangements
 - d. Value for money
 - e. Resident participation and service monitoring
 - f. Deliver against the Council's six social value commitments and climate change principles
 - g. Demonstrable transparency
 - h. Timescale requirements
 - i. Risk mitigation (including commercial and health and safety)
 - j. ICT systems (including the effective integration with existing systems)
 - k. Allow for effective performance management
 - l. Staff (including the consideration of clienting limitations)
 - m. Allow for strategic service planning

Recommendations

- 2.6 Housing is committed to providing the best quality, value and performance for residents for these services using the Council's Responsible Procurement Policy. Specifically we will embrace the six social value priorities and the Council's climate change commitments. Resident Services is therefore recommending that it starts designing its post 2020 delivery arrangements along the following lines:

Direct Delivery

- 2.7 Resident Services is looking to start designing a small repairs DLO (of around 20 operatives – including quality apprenticeships) that can directly deliver a range of targeted repair services. A wholesale DLO would not be financially viable and would be up to 20% more expensive than an equivalent contracted operation, as well as create an extended period of service disruption.
- 2.8 However, a DLO of this size (around 20 operatives) will not require the substantial mobilisation, infrastructure and support costs associated with a wholesale operation – and will not therefore pose a budgetary risk to the Council. A small DLO would also be supported by two area based contractors which will make it possible to organically grow a DLO with limited TUPE implications - with the initial recruitment sitting alongside the overall reprocurement exercise.

2.9 Resident Services is also looking to start developing proposals to directly deliver estate-based grounds maintenance by expanding Environment’s existing parks and open spaces award-winning DLO – ‘Lambeth Landscapes’ to enable the delivery of their high-quality service and expertise on Lambeth housing estates. This is also seen as very low risk given there is an existing and experienced team in place and there will be limited additional infrastructure requirements. This will also help eliminate duplication across directorates.

Service Unification

2.10 Resident Services to explore the unification of estate-based external cleaning (including (litter-picking, detritus removal, graffiti removal, fly-tip removal, bulky waste collections and winter gritting) with the public highway street cleansing and waste collection service. This would create a single service offer through a procurement of the services – and which would see direct procurement of the operating infrastructure (vehicles, accommodation etc.) to reduce costs and to ensure that the Council hits its target of becoming carbon neutral by 2030.

2.11 It is also proposed to explore the integration of housing office cleaning into the new facilities management services contract. Both service unification opportunities would eliminate clienting duplication across directorates and provide a single service offer across streets and estates. This opportunity is also afforded by the close expiry dates of existing arrangements.

Long Term Contracts

2.12 Resident Services wants to start designing long-term contracts for services that don’t typically lend themselves to direct delivery (i.e. highly specialist services; and/or those which cannot guarantee regular and consistent work volumes), and in doing so would jeopardise the health of the HRA and/or create a real risk of prolonged service disruption. To maintain synergy across Resident Services’ contracts, an initial commitment of 6 years would typically be required with a discretionary Council right to extend for two additional 4 year periods (6+4+4). The long-term contracts would cover the following areas:

Long-term Contracts after 2020	North	South	Borough wide
Responsive repairs - incorporating void property repairs, gas servicing, door entry systems, landlord electrical and water supply systems.	1	1	0
Lift servicing	1	1	0
Lambeth Housing Standard / Decent Homes and cyclical maintenance	1	1	0
Estate cleaning (part of street cleaning and waste collection contract)	0	0	1
Housing office cleaning (part of facilities management contract)	0	0	1

2.13 The design of the long term contracts will typically avoid area based exclusivity and instil further flexibility through regular formal reviews and clearly set out break clauses. Ongoing competition and avoiding the over-reliance on single contractors would be achieved by having non-exclusive areas based contracts according to the Council’s current North and South area management structure. The long-term contracts would also look to ensure that economies of scale are obtained and secure competitive pricing- while reflecting Lambeth’s management arrangements and preference for a ‘lean’ Client function.

Internal Block Cleaning and Concierge

2.14 Resident Services wants to design the best quality, value and performance for residents for this service. Options for alternative delivery models, including in-house DLO and a social enterprise, have been investigated. The risk associated with a large TUPE transfer, additional cost

implications and potentially a prolonged service disruption, at this stage, has led Resident Services to look at innovative, social value solutions alongside a service delivery model which will deliver long term benefits for residents.

Frameworks

- 2.15 Resident Services wants to start designing two Council-specific borough-wide frameworks (4 year duration – as required by legislation) capable of delivering complex capital works in a competitive manner, where the work content is generally bespoke and can only be priced following scoping and design development. The mini-competition process within frameworks ensures demonstrable and ongoing value for money while reducing timescales from that required for a separate tendering process.
- 2.16 A framework would also satisfy some of the recommendations made in the Major Works Task and Finish Group, in which a group of current Lambeth leaseholders concluded that it would like to see project-by-project competition rather than a long-term contracting arrangement with competition primarily restricted to the front end.
- 2.17 Resident Services also wants to start designing a third borough-wide, Council-specific framework (4 year duration) for all consultancy services that will include the following technical disciplines and support delivery of capital and specialist projects and services:
 - a. Fire risk assessments
 - b. Asbestos surveys
 - c. Structural engineering
 - d. Health and safety management
 - e. Project management
 - f. Quantity surveying

Clienting Arrangements

- 2.18 To support all of the above, a need to give the Council greater flexibility and control has been identified – together with a strengthened clienting function and performance management ethos generally. This will be achieved in the following ways:
 - a. Creation of a discrete contract scrutiny and governance team.
 - b. Use more straightforward forms of contract.
 - c. The engagement of subcontractors to be subject to Council approval.
 - d. Contractor profit directly linked to performance.
 - e. No area exclusivity for contractors
 - f. In-house process of physically auditing workmanship – officers and trained in-house resident inspectors
 - g. A Core Group to lead on reviews and strategically steer service delivery and performance.
 - h. Performance monitoring panels that includes residents.
 - i. Formal annual reviews where performance is discussed by both parties and lessons learned are applied to the next years' delivery model.
 - j. Clear escalation and remedy mechanisms in the event of contract/performance breach
 - k. No fault termination provisions.

3. FINANCE

- 3.1 The aggregate value of all the work streams to be redesigned is expected to be in the region of £80m per annum, with an approximately even split between capital and revenue expenditure This is currently budgeted for but any increase would need to be factored into the HRA Business Plan and

would need to be deliverable within the scope of the available resources, which continue to be under significant pressure due to the ongoing impact of the enforced rent reduction.

- 3.2 Many of the work streams still represent good financial value (with some costs remaining static since 2014) and were subject to efficiency savings during contract extension negotiations in 2017 as part of managing the impact of the rent reductions. As such, whilst the service redesign is necessary to deliver improved service delivery models and social investment after 2020, it is unlikely to generate any further savings over existing contracting arrangements. All efforts will however be made to design services on a competitive commercial basis.

4. LEGAL AND DEMOCRACY

- 4.1 The Council has delegated the authority to enact this report's recommendations to the Cabinet Member for Housing. The procurement gateway process ensures that legal services has reviewed and satisfied itself with the recommended delivery arrangements before any services are mobilised and contracts placed.
- 4.2 This proposed key decision has not been entered in the Forward Plan and so the necessary 28 clear days notice has not been given. The intention is to commence the new contracts in October 2020, (save for the estate based cleaning and housing office cleaning which will coincide with the commencement of new public highway and facilities managements services contracts) so the general exception procedure will be followed. The reasons why the report was not included in the forward plan and that the decision cannot be delayed will be included in the necessary public notice to be published on the council's website (and sent to the Chair and Vice-Chair of Overview & Scrutiny Committee and relevant officers) alongside this report. The report and notice will be published on the website for five clear days before the decision is approved by the Cabinet Member/Cabinet Member in consultation with the Leader of the Council. A further period of five clear days - the call-in period – will then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

5. CONSULTATION AND CO-PRODUCTION

- 5.1 Housing has engaged with stakeholders (internal and external) and developed creative resource strategies for broad and focused resident engagement. A Procurement Panel has been formed to ensure direct input from service users throughout the design process. A tiered procurement resource schedule has been developed to map out and timetable the different involvement activities and resource commitments required from the Procurement Panel. The tiered approach will allow for varying levels of stakeholder commitment. Some of the activities the resident Procurement Panel will be undertaking include:
- a. Feed into the options appraisal
 - b. Ensure new contracts incorporate learning from current contracts
 - c. Developing technical standards and service specifications
 - d. Developing and refining social value objectives
 - e. Developing performance management mechanisms and KPIs
 - f. Early dialogue with prospective contractors.
- 5.2 The option appraisal stage included 8 workshops with the stakeholders Procurement Panel. The engagement workshops illustrated a keen desire for improvements in service delivery and while it is inevitable that differing stakeholder groups will prioritise different areas, there were a number of strong themes/objectives:

- a. A need for robust contract/performance management
- b. Flexible service delivery arrangements
- c. Involvement of residents in evaluation/monitoring
- d. Demonstrable value for money
- e. Simple and transparent arrangements
- f. Accountability (especially for Leaseholders)

5.3 These objectives will be considered in designing the post 2020 delivery arrangements.

6. RISK MANAGEMENT

6.1 A risk register will be developed to proactively manage project risks and the appointed consultants will be required to give the Council early warning of any risk to the project (time, cost, quality etc.) and propose mitigation activity where possible – evaluating (likelihood, impact etc.) and maintaining all such risk on the project risk register.

7. EQUALITIES IMPACT ASSESSMENT

7.1 During the design and specification stages (ahead of tender), Housing will complete an equality impact assessment to ensure that all Protected Characteristics within the borough have been considered and the impact that the proposed procurement activity is likely to have on Lambeth's citizens has been assessed – not only to avoid unfair/discriminatory treatment but positively promote a fair and more equal borough – and the opportunities this brings.

8. ORGANISATIONAL IMPLICATIONS

Responsible Procurement

8.1 The service redesign will make a significant contribution towards the Council's six social value priorities outlined in its Responsible Procurement Policy and climate change commitments. Furthermore, the service delivery arrangements will be designed and specified to realise social investment mechanisms/models that:

- a. Offer transparency with measurable outputs.
- b. Can be sustained throughout the term of the services being delivered – and beyond if possible.

8.2 Early social investment opportunities include:

- a. Quality Apprenticeships
- b. Work experience and skills training
- c. Local employment opportunities
- d. Supporting long-term unemployed residents, as per the Lambeth Equality Commission recommendation
- e. Resident Training
- f. Pay the London Living Wage
- g. Minimising waste
- h. Potential to create a social enterprise for the local delivery of work experience, apprenticeships and employment.

Staffing

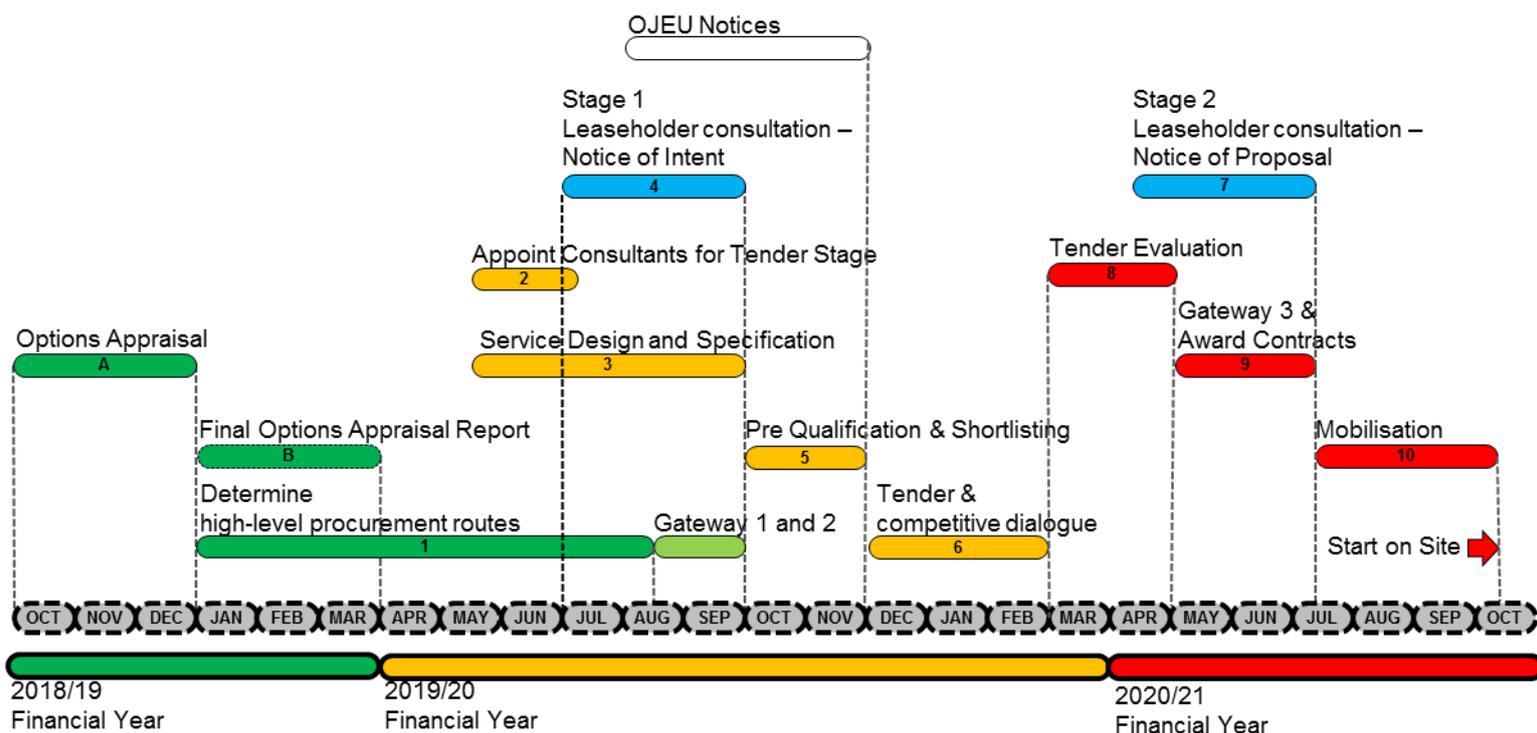
- 8.3 The Council has restructured its Housing Team which, amongst other things, saw its geographical delivery arrangements reducing from three areas (North; Centre; South) to two: North and South. This in turn will support a reduction in the number of contracts (and associated client-contractor interfaces) considered necessary to achieve the service commitments.
- 8.4 A further review of the Housing repair and maintenance staffing structure is currently being undertaken to join up the repair and capitals work teams; and create a more robust asset management, governance and contract scrutiny team – considered essential to successful service delivery after 2020.

Procurement Gateways

- 8.5 The delivery routes been designed will all be subject to the Council's Gateway reporting requirements. This includes Gateway 3 approval which will require a detailed and evidenced post-tender report seeking Cabinet Member approval to implement the tendered delivery arrangements and associated contract management arrangements.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 The following timetable sets out the timeframes for delivering the key stages of the process. To help achieve the timetable, a small project management team is being formed together with a professional consultancy firm to assist with the service redesign.



AUDIT TRAIL

Consultation

Name/Position	Lambeth directorate / department or partner	Date Sent	Date Received	Comments in paragraph:
Councillor Jack Hopkins	Leader of the Council	28.06.2019	28.06.2019	
Councillor Claire Holland	Deputy Leader of the Council (Environment and Clean Air)	28.06.2019		
Councillor Paul Gadsby	Cabinet Member for Housing	18.06.2019	25.06.2019	
Councillor Andy Wilson	Cabinet Member for Finance and Performance	28.06.2019	28.06.2019	
Bayo Dosunmu, Strategic Director	Resident Services	18.06.2019	18.06.2019	
Raj Mistry, Director	Resident Services	18.06.2019	18.06.2019	
Sam Bailey, Democratic Services	Legal and Governance	21.06.2019	21.06.2019	4.2
Andrew Pavlou - Principal Lawyer Governance	Legal and Governance	21.06.2019	28.06.2019	
Andrew Ramsden, Assistant Director Finance	Finance and Investment	21.06.2019	28.06.2019	
Saif Mahamroot - Head of Procurement	Finance and Investment	21.06.2019	27.06.2019	

REPORT HISTORY	
Original discussion with Cabinet Member	18.06.2019
Report deadline	28.06.2019
Date final report sent	28.06.2019
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	NA
Key decision reasons	Expenditure, income or savings in excess of £500,000
Background information	The Future Lambeth: Our Borough Plan 2016-2021 Public Services (Social Value) Act 2012 Lambeth Responsible Procurement Policy Public Procurement Regulations 2015 Equality Act 2010

APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board, and taken account of their advice and comments in completing the report for approval:

Signature: _____ **Date:** _____

Post: Darren Levy: Director for Housing Services

I approve the above recommendations:

Signature: _____ **Date:** _____

Post: Bayo Dosunmu: Strategic Director for Resident Services

I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:

Signature: _____ **Date:** _____

Post: Cabinet Member for Housing: Councillor Paul Gadsby