

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 03 July 2023

<b>Portfolio:</b>	Housing
<b>Subject:</b>	<b>Fareham Housing Void Property Works and Improvements Contract</b>
<b>Report of:</b>	Head of Housing Delivery
<b>Corporate Priorities:</b>	Providing Housing Choices

#### **Purpose:**

To seek Executive approval for a 6-month extension to the existing Void Property Works and Improvement Contract with Mountjoy Ltd, with potential for a further 6-month extension should it be required.

#### **Executive summary:**

Mountjoy Ltd. are the contractor currently employed to undertake void works to Council homes, as well as some other planned improvement works such as kitchen and bathroom replacement.

The original contract was entered into on 01 May 2019 and the current arrangement will expire on 30 April 2024.

During 2023 there have been many changes to the social housing landscape. This includes new amendments to the Social Housing Regulation Bill (also referred to as Awaab's Law), increasing focus by the Regulator of Social Housing relating to matters of repair, and the ongoing implications of cost increases coupled with the introduction of a 7% rent cap.

In May 2023 an internal review commenced to look at the existing void process. The review is aimed at ensuring an appropriate standard of void works takes place alongside good quality customer service, whilst also improving efficiency and identifying opportunities to reduce the financial impacts of the void process.

As part of the ongoing review there is already recognition that elements of the existing contract approach will need to change. This together with the lead in times required for a new contract means it is not practical to complete a new tender, contract appointment and mobilisation before 30 April 2024.

A limited time extension to the existing arrangement with Mountjoy is sought to ensure this essential function of the Council's Housing service can continue, whilst allowing for improvements to the void process (and any associated cost savings) to be properly considered and incorporated as part of a new contract arrangement.

**Recommendation:**

It is recommended that authority be delegated to the Chief Executive Officer, following consultation with the Executive Member of Housing, to enter into an extension/rollover of the existing Void Property Works and Improvements Contract with Mountjoy Limited, for a period of 6 months, with authority delegated for a further 6 month extension should it be required.

**Reason:**

To ensure void repair works are delivered to the lettable standard effectively and efficiently, and to continue to provide improvements and disabled adaptations to occupied Council homes whilst a new tender pack and procurement exercise is concurrently prepared (incorporating any changes required following the internal review) so that a new contract can apply from 31 October 2024, or by 30 April 2025 at the latest.

**Cost of proposals:**

Further detail around the cost implications is provided in Confidential Appendix A. The 2023/24 costs of providing void and improvement works are incorporated in existing budgets.

**Appendices:**

**A:** Confidential Appendix A - Fareham Housing Void Property Works and Improvements\*

\* By virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 – information relating to the financial or business affairs of any particular person and category 7A (information which is subject to an obligation of confidentiality) of Schedule 12A Local Government Act 1972 and the Council's Access to Information Procedure Rules.

\* It is not in the public interest to publish this information as it would harm the Council's ability to conduct future procurement activity in accordance with national procurement legislation and to achieve best value in the consideration of bids received. If cost indicators were disclosed the future tender exercise could be adversely affected, potentially resulting in the submission of unaffordable or undeliverable bids and remove the necessary element of market competition that drives best value principles.

**Background papers:** NONE

**Reference papers:** Executive Report 04 February 2019 (Void Property Works and Component Improvement Package Works Contract 2019 to 2022)

# FAREHAM

## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	03 July 2023
<b>Subject:</b>	Fareham Housing Void Property Works and Improvements Contract
<b>Briefing by:</b>	Head of Housing Delivery
<b>Portfolio:</b>	Housing

#### INTRODUCTION

1. Each year in the region of 120 to 150 Council homes will become vacant, these are referred to as 'voids'. The reasons for properties becoming void are due to terminations of tenancy, death of tenants, and repossessions. As a landlord, the Council has a responsibility to maintain the properties to an appropriate standard prior to re-occupation.
2. Fareham Housing also provides kitchen and bathroom modernisations to its occupied stock. This demand comes either direct from customers who feel that an upgrade is due, via the Responsive Repairs operatives who determine that components are beyond economical repair, or via findings from a Stock Condition Survey.
3. Fareham Housing also provide disabled adaptations to its stock. The demand comes either direct from tenants or via Hampshire County Council's Occupational Therapy Departments. Minor disabled adaptations are undertaken by Responsive Repairs operatives.

#### BACKGROUND

4. Mountjoy Ltd. currently provide void and planned improvement works on behalf of the Council. This is by a contract arrangement that began in May 2019 following agreement by the Council's Executive on 04 February 2019. The contract arrangement was for an initial period of three years, with subsequent ability to extend for a further two years.
5. The ability to extend the contract by two years was utilised, this recognising that the contract arrangement and service provision was working well at that time, and also to provide some stability following the Covid-19 pandemic and with regard to the turbulent market conditions and rising costs prevalent during 2021 and 2022.

#### RECENT AND EMERGING CHANGES

6. Within the last year the wider landscape on social housing has and is changing.

7. In March 2023 the Social Housing (Regulation) Bill received its third reading in the House of Commons. The final regulations are expected to increase expectations and standards for social landlords relating to the conditions of homes, with elements of this Bill often referred to as Awaab's Law. This does not just relate to issues around damp and mould, but also other standards and hazards.
8. Recent years have also seen a significant rise in costs for materials and labour, and the implications of this to the Housing Revenue Account (HRA) has and will be compounded by rental receipts not tracking inflation (due to the cost-of-living crisis and rent caps).
9. Officer analysis of our void process and timescales has also recognised an opportunity to reduce average void periods, which are currently high, but that this must be done in a manner that still maintains the current good void standard, and customer satisfaction.
10. An internal review is underway to understand what changes should be made to the void process; both internal procedures before and after and contractor is involved, and the expectations of a contractor undertaking works. This is aimed at improving the efficiency of the void process but to also ensure appropriate consideration is given to the wider changes mentioned in paragraphs 7 and 8. At this juncture it would be imprudent to move ahead with a new tender exercise without first incorporating potential positive changes and improvements to the overall process. To do so would either cause the Council to enter into a contract which ultimately fails to achieve the required standards over the next 3-5 years, or would commit the Council to two procurement exercises in quick succession, a significant duplication and a waste of resources.

## **THE NEXT CONTRACT**

11. Work is already underway to understand some of the changes that need to be incorporated into the revised/new contract arrangement. This includes: -
  - Specification updates (for example when materials/finishes are no longer available)
  - New additions to the Schedule of Rates used
  - Invoicing process
  - Managing sub-contractors
  - Predicted contract value
  - Performance criteria (including void turnaround times)
12. This list is not exhaustive, and the ongoing internal review will identify further factors to be included in the tender documents for the next contract.
13. The lead in times for a contract of this value and complexity are significant. In summary this includes (a) extensive tender documents to be prepared; (b) the open tender process undertaken and assessed; (c) the award of contract (which will require Executive approval); and (d) ensuring all matters are prepared and ready for mobilisation (including allowing for potential transition to a different contractor). To achieve this in advance of 30<sup>th</sup> April 2024 would mean that officers would be unable to properly consider and incorporate any changes in the void process or approach which will arise from the internal review underway and emerging regulations.
14. The next contract and associated tender pack can be finalised following this internal review and consideration of costs, with the intention that a contractor be appointed (following an open tender exercise) in a timely manner to follow on from the proposed

interim approach (i.e. contract extension/rollover).

### **INTERIM APPROACH - EXISTING CONTRACT EXTENSION/ROLLOVER**

15. The interim approach (intended ahead a full new contract arrangement) will be for 6 months, albeit the recommendation of this report seeks delegated approval for a further 6 months period to ensure appropriate contingency can be utilised if required (for example if unexpected matters delay the tender period, or additional relevant factors are introduced to national regulations).
16. Discussions have already taken place with the Council's Financial Services Procurement Manager, and Legal services. The mechanism for the contract rollover will be agreed in conjunction with them and in consultation with Mountjoy Ltd.
17. A 6-month extension to the existing contract arrangement is expected to fall within the parameters of regulation 72(1)(f) of the 2015 Public Contracts Regulations (Modification of contracts during their term) as the amounts payable to the contractor will be less than 15% or the original contract sum and the works threshold of £5,336,937.
18. In the unlikely event that the further 6-month extension is needed (taking the total contract extension to up to 12 months) then a further consideration of procurement risk will be undertaken and where appropriate, ahead of the extension, a notice published in accordance with the Public Contracts Regulations setting out the justification for the further extension.

### **FINANCIAL IMPLICATIONS**

19. The current budget takes account of the cost of void repair work and in the Housing Revenue Account business plan projections. The financial implications of the proposals contained in this report will be reflected in the HRA budget proposals for 2024/25.

### **CONCLUSION**

20. The rollover of the existing contract arrangement with Mountjoy Ltd. will allow Fareham Housing to maintain the void and improvement service for Council homes and customers, whilst giving sufficient time for necessary internal reviews to complete. This is necessary to ensure that the next (i.e. new) contract arrangement will improve efficiency and maintain quality of the void process, have a sustainable impact to the HRA, and that it appropriately addresses emerging national regulations.

### **Enquiries:**

For further information on this report please contact Robyn Lyons on (01329) 824305