

**Report for:** Cabinet Member Signing

**Title:** Variation of Current Electrical Inspection Report programme.

**Report authorised by:** David Joyce – Director of Placemaking & Housing.

**Lead Officer:** Scott Kay – Head of Residential Building Safety

**Ward(s) affected:** All

**Report for Key/  
Non-Key Decision:** Key Decision

**1. Describe the issue under consideration.**

- 1.1 This report seeks approval from the Cabinet Member for a second variation of the two existing contract values, for the current provision of Electrical Inspection Reports programme to the Council, by two contractors, for the remaining contract term, to April 2024, subject to Cabinet Approval to virement of capital budget, as set out in section 6.16 of this report.

**2. Cabinet Member Introduction**

Not Applicable

**3. Recommendations**

The Cabinet Member for Housing Services, Private Renters, and Planning is asked:

- 3.1 To approve a second variation of the two existing contracts with Contractor N and Contractor A, for the provision of Electrical Inspection Services to the Council by increasing the maximum contract values by an additional £1,474,825.00 for Contractor N and £1,413,050.00 for Contractor A (£2,887,875.00 in total) taking the total maximum value for both contracts, to £11,551,500 over the maximum contracts period of 18 months (of which 8 months currently remain), subject to budget virement approval by Cabinet.

**4. Reasons for decision**

- 4.1 In order to deliver the Electrical Inspection programmes, which includes completing urgent and high-risk actions and upgrading of smoke and heat alarms within properties, Haringey Council requires the support of specialist electrical contractors.

- 4.2 The existing arrangements for this work have been in place since October 2022 and were procured as a direct award under the South East Consortium's (SEC) Electrical Renewal's Framework. Working with our Strategic Procurement business partners and the SEC, we were able to identify that Contractors N and A, were able to take on and support our service requirements.
- 4.3 The contractors are and have since been successfully delivering the programmes of inspections and associated works, critical to the safety of residents. This service is currently relied upon whilst we recruit to existing vacancies within our in-house electrical team, who will, in the longer term deliver the core elements of this work. However, due to current priorities around damp and mould, voids and focus on improving the repairs service as well as market pressures and a shortage of suitably competent persons this is taking longer than originally anticipated and we will need to implement a further contract prior to fully in-sourcing the service in future.
- 4.3 Even when the team is fully resourced, there will always be a need to rely upon additional contracting services to support the in-house team through peaks in workload and gaps in resources. The procurement of a longer-term support arrangement is the subject of a separate and new procurement project will be progressed, to take over this provision once this further extension is exhausted.
- 4.3 As we continue delivering electrical safety programmes, the variation of these contracts offers continuity and the necessary resources to deliver on this key commitment to the Regulator and essential life-safety programmes, whilst we procure a longer-term solution.
- 4.4 The second variation supports the ongoing delivery of the electrical safety inspection and works programmes to comply with the Electrical Safety Regulations and the Fire Safety Act.
- 4.5 The existing fire safety budget is insufficient to cover the expenditure of all the work. However, there is provision within the capital budget for Mechanical and Electrical works. Approval for virement of this budget can only be given by Cabinet. The request for this will be made to Cabinet in September 2023 within the Budget Report submitted by Finance.

## **5. Alternative options considered.**

- 5.1 Do nothing. This would mean that the current contract would not be sufficient to complete the programme. It would also mean that we cannot meet our commitment to the Regulator to complete the EICR programme by the December 2023. Furthermore, it would leave the residents subject to living in buildings where there could be electrical safety issues that go unrecorded and unremedied if we do not undertake electrical inspections and improvement works. In addition, the Council would not be compliant with the Electrical Regulations.
- 5.2 Undertake all the work in-house. This option is not viable due to the current lack of specialist skills available in the market for Haringey to recruit. However, this is the intention in the longer-term.

5.3 Procure a new contract. This is in progress but will not be in place in time to deliver the current requirements.

## **6. Background information**

6.1 The SEC framework was awarded to cover lot 5 which includes: A visual inspection of the existing electrical installation, electrical test to provide a electrical inspection condition report, all Category1 and Category 2 electrical works in accordance with BS 7671 and the upgrading of smoke and heat detection within flats in accordance with BS 5839-6

6.2 Category 1 issues are those that would otherwise present an immediate risk of injury to anyone using the installation, and therefore require immediate work. Category 2 issues present a potential danger that over time could cause shock and/or serious injury to anyone using the installation. Category 2 works can legitimately be completed through a follow-on works order or programme.

6.3 A decision was made to complete all Category 2 works at the same time as the test as this would ensure the safety of residents, reduce inconvenience to residents through not having to have a further appointment and improve value for money as the contractor would only be making one visit to the property.

6.4 A direct award was made for 18 months up to a value of £5,775,750.00 to two contractors (N - £2,949,650.00 and A £2,826,100.00). A variation to the contract sum was agreed and signed by the Cabinet Member for Housing Services, Private Renters, and Planning in July 2023. It was reported at that time that a further extension would be required.

6.5 This is a call-off arrangement whereby the rates tendered under the SEC's Electrical Renewals Framework are applied to all works instructed under this contract. The contract value is estimated and was capped based on a works value over 18 months.

6.6 Since commencing the contract, we have now committed the full contract value and the first variation value to both of the contractors, due to the additional works identified during the inspection process.

6.7 A second variation of the original contract value by 50% is required to ensure continuity and completion of the current programme and commitment to the Regulator for Social Housing.

6.8 The value of the initial contract was £5,775,750.00 in total, for a period of 18 months from October 2022. However, the full contract spend of £2,949,650.00 for Contractor N and £2,826,100.00 for Contractor A has been exhausted. The first variation increase in the contract value of 50% has also been exhausted and this second variation is needed is to cover the remaining workload and provide additional term to re-procure a longer-term contract.

6.9 The need for a further variation of the value of the contract is due to circumstances that could not have been foreseen at the time the contract was awarded. These include the following:

- The amount of work required to properties with no previous EICR or having EICRs that were more than 10-years old being greater than anticipated.
- The additional workload generated through the installation and upgrading of smoke detection.
- The need to add in an additional 430 domestic and 93 communal inspections that become non-compliant during the programme that we had originally anticipated could be dealt with by the in-house team.

6.10 The tendered rates for the EICRs for each contractor, and the tendered rates for remedial work and smoke detectors has not changed.

6.11 Based on average actual costs, the impact of these additional properties is approximately £300,000 to date. A further 190 domestic and 40 communal properties will become non-compliant between now and December are estimated to cost an additional £250,000. Therefore, the total cost of maintaining the existing compliant properties over the contract period has added a further £550,000 to the programme.

6.12 The additional cost of remedial works and smoke detector upgrades due to the factors set out in 6.9 and 6.10 are shown in the following table based on the current contractor's tendered schedule of rates.

|   |   |            |
|---|---|------------|
| Projected average cost per property           | £ | 599.00     |
| Actual average cost realised                  | £ | 1,096.00   |
| Variance                                      | £ | 497.00     |
| Total properties projected                    |   | 9,645      |
| Total properties revised                      |   | 10,168     |
| Variance                                      |   | 523        |
| Total impact on programme (cost + properties) |   | £5,366,773 |

6.13 The previous variation value of £2.887m of the original £5.366m in the table above leaves £2.48m required to complete the programme. However, this request is for £2.887m (50% of original value). The difference of £0.4m will allow sufficient time to procure a longer-term contract and allow of any additional works identified during the period. Any underspend will be reflected in the final budget position.

6.14 There is an impact on the current capital budget because of this variation, of £0.41m, as detailed in 6.15 and 6.16 below.

6.15 The 2023/24 Electrical and smoke detector budget total is £5.96m. This includes £4.36m in fire safety and £1.6m in M&E Electrical. The current commitment against the total budget is £2.78m spend plus £0.7m work in progress (total £3.48m), leaving £2.48m. The variation of this contract will require £2.89m meaning a negative impact on the budget of £0.41m.

- 6.16 This additional spend on EICRs and Smoke detectors can be accommodated in the Housing Services Capital budget subject to approval of virement request (From the Mechanical & Electrical budget to the Fire Safety budget) submitted via the Q1 budget report to Cabinet. This will require a virement of capital budgets to be approved under separate authority by the Cabinet.
- 6.17 This second variance will complete the programme and allow sufficient time and capacity to pick up any additional works identified and continue to deliver the on-going 5-yearly inspections from January 2024, whilst procuring a new longer-term contract for the service until we are able to fully resource and deliver through our in-house team.
- 6.18 Although the contract values are being varied, the nature of the contracts are not being altered significantly. The requirement to inspect upgrade electrical installations and smoke and heat detectors remains and no new requirements have been added that have led to this variation requirement.

## **7. Contribution to strategic outcomes**

- 7.1 This project will help to theme 5 of the Corporate delivery Plan A borough where everyone has a safe, sustainable, stable and affordable home.

## **8. Statutory Officer Comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)**

### **8.1 Finance -Draft**

- 8.1.1 The original contract value approved by cabinet in October 2022 is a combined £5.8m for a combined 9,645 units including installation of smoke detectors.
- 8.1.2 This sum equates to an average unit cost of £599 per unit.
- 8.1.3 In July 2023, a value variation amounting to additional £2.9m was approved, bringing the total contract sum to £8.7m. This additional sum represents 50% of the original contract sum.
- 8.1.4 This report recommends further value variation of £2.9m, bringing the overall contract value to £11.6m
- 8.1.5 The new average unit cost based on total value of the contract and total units equates to £1,096 per unit. This is 83% higher than average unit cost in the original cabinet report.
- 8.1.6 This additional sum will be met from the existing stock investment budget subject to cabinet approval of budget virement request.
- 8.1.7 There is risk of further cost escalation which needs to be monitored.

## **8.2 Procurement**

- 8.2.1 Strategic procurement note that this report relates to the approval of a second variation to two contractors for the provision of Electrical Inspection Services to the Council
- 8.2.2 These variations are compliant with PCR 72-(1) (b) where additional works have become necessary and for economic and technical reasons it would cause significant inconvenience to retender, and the value of the variations will not exceed 50% of the original contract value.
- 8.2.3 Contract Standing Order (CSO) 10.02.1(b) permits Cabinet to authorise an extension or variation valued from £500,000 (five hundred thousand pounds) or more.
- 8.2.4 SP support the recommendation in section 3 above.

## **8.3 Head of Legal and Governance**

- 8.3.1 The Head of Legal and Governance (Monitoring Officer) has been consulted in drafting this report.
- 8.3.2 The variations which this report relates to are compliant with Regulation 72 of the Public Contracts Regulations 2015 namely Regulation 72.(1)(b).
- 8.3.3 Pursuant to Contract Standing Order 16.02 a Cabinet Member with the relevant portfolio responsibilities may approve the variations set out in this report.
- 8.3.4 The Head of Legal and Governance (Monitoring Officer) sees no legal reasons preventing the Cabinet Member for Housing Services, Private Renters, and Planning from approving the recommendations on the report.

## **8.4 Equality**

- 8.4.1 The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
1. Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act.
  2. Advance equality of opportunity between people who share those protected characteristics and people who do not.
  3. Foster good relations between people who share those characteristics and people who do not.
- 8.4.2 The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex, and sexual orientation. Marriage and civil partnership status apply to the first part of the duty.
- 8.4.3 Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

8.4.4 This report seeks approval from the Cabinet for the variation of the existing contract values for the current provision of Electrical Inspection Reports programme to the Council, by two contractors, for the remaining contract term, to April 2024.

8.4.5 This is to deliver the electrical inspection programmes, which includes completing urgent and high-risk actions and upgrading of smoke and heat alarms within the council housing stock.

8.4.6 Black people, disabled people, women, and those from a low socioeconomic background are overrepresented in Haringey's social housing stock. Therefore, taking steps to ensure that this essential work is completed will have a positive impact on those who share protected characteristics.

**9. Use of Appendices**

None

**10. Local Government (Access to Information) Act 1985**

None