

Report for: Cabinet Member for Housing and Planning

Item number: To be added by the Committee Section

Title: Disrepair Contract - Extension

Report authorised by : Sara Sutton - Corporate Director Adults Housing & Health

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Ward(s) affected: All

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

1. Describe the issue under consideration

- 1.1. To extend existing contracts with four suppliers: DCK Construction Limited, ICB General Build and Civil Eng Ltd, Foster Property Maintenance Ltd and Milestone South East Ltd for the provision of repair services to reduce the backlog of disrepair cases within the Borough.
- 1.2. As a social landlord, the Council maintains a social housing stock, which is subject to legal claims for disrepair.
- 1.3. These contracts were put in place to resolve a long-standing problem with disrepair claims, for which the Council has entered into contracts with repairs contractors to complete the works associated with those claims.
- 1.4. The spend for each contractor is up to 499,999 with a contract duration up to 2 years. The contract commenced on 4th November 2024 and will expire on 4th November 2025 with an option to extend by one year to 4th November 2026.
- 1.5. These contract values will be exhausted within late Q1, early Q2 of 2025/26 and require extension of value to match the approved budget to ensure that service delivery is not impacted.

2. Cabinet Member Introduction

Only Cabinet Members will provide introductory comments.

In one or two paragraphs, why does the Cabinet member think the Cabinet should adopt the recommendation(s) in the report? Note that information from these paragraphs could form part of a future press quote.

The relevant Cabinet Member must be consulted early on reports for Cabinet and they will need to see the full report before they can complete the paragraphs.

These comments must be written before the report is sent to legal for their observations and comments as they will check if any statements have been made which would leave the council vulnerable in a judicial review.

Please note that only reports to Cabinet, for Cabinet Member decision and Leader Decisions should include these comments . Reports for non executive Committees , Scrutiny meetings and Partnership board meetings should not include these comments .N/A can be put under this section for reports going forward to these non executive meetings.

3. Recommendations

3.1 For Cabinet pursuant to Contract Standing Orders 18.03.3 & 2.01(d) to approve extensions of contracts to four suppliers: DCK Construction Ltd, ICB General Build and Civil Eng Ltd, Foster Property Maintenance Ltd and Milestone South East Ltd as per the table below

Supplier	Original Contract Value	Extension
DCK Construction Ltd	£499,999	£499,999 (100%)
Foster Property Maintenance Ltd	£499,999	£214,281 (43%)
ICB General Build and Civil Eng Ltd	£499,999	£214,281 (43%)
Milestone South East Limited	£499,999	£499,999 (100%)

3.2 Each of the 4 existing contracts are extended; by 100% for DCK Construction Ltd and Milestone South East Limited, and 43% for ICB General Build and Civil Eng Ltd and Foster Property Maintenance Ltd, based on the existing run rate, whilst the service and procurement work to put in place a long-term contract.

3.3 The extension will allow the service to put in place suitable medium to long term contracts, following a procurement exercise expected to be completed by Q4, to prevent service delivery and financial risks associated with failure to complete work at an adequate scale and frequency.

4. Reasons for decision

- 4.1 It is essential to maintain continuity of high frequency repairs completions in disrepair cases, as this is the main action by which legal costs are reduced. If we have to stop work for any period of time, there will be increased legal expenditure.
- 4.2 It is a strategic objective of the Council to clear the historic works backlog and then maintain pace with newer cases, to achieve a lower cost per case. Failure to extend contracts to enable time for wider re-procurement and arrange suitable medium to long term contracts will prejudice the achievement of this objective, and risk the significant progress already made.
- 4.3 Approximately 35% of last year's gross spend was attributed to capital works. Accordingly, it is anticipated that additional budget will be generated during this financial year and up until the re-procurement exercise concludes, thereby funding Q4 of that new procurement from capital receipts, with the remainder of that procurement to be funded by future years budgets.
- 4.4 It is within the Council's best interests to extend these contracts pending re-procurement as specified, as contractor performance is sufficient to deliver the required results in the short term, and there are risks attached to engaging new contractors, as their performance is unknown. In addition, significant operational resource has been expended in building operational practices to work effectively with these contractors. It is therefore considered to be inefficient and risky to disrupt the existing model.
- 4.5 A rebalancing exercise will be undertaken following a benchmarking exercise, to issue more work to the cheaper suppliers in the short term, both being granted 43% extensions, and achieve higher output to mitigate differential in run rate between suppliers over the period of the extension and better enhance value for money considerations.
- 4.6 The extension will allow the required repair works to be delivered at the existing rates, which were locked in during the procurement of 2023/24. Accordingly, market rates have increased since this time, meaning a new procurement exercise will result in higher costs against the same scope. Therefore, extending existing contracts on lower rates aids value for money considerations in addition to facilitating the strategic objectives.

5. Alternative options considered

5.1 Do nothing / allow contract sums to exhaust with no replacement

- 5.2 This option has been rejected because this would leave ongoing legal cases without an appropriate facility to complete works at the required scale to meet the overarching strategic objectives, to reduce claims and the costs associated with them.

5.3 Utilise the DLO to deliver works

- 5.4 This option has been rejected as the DLO is already under significant pressure to deliver the Responsive Repairs Service. This option is not a viable proposition for either the short or medium-term planning of the Council.

5.5 Procure new contracts without first extending existing contracts

- 5.6 This option has been rejected as contractors have become fluent with our working practices and requirements. The extensions are required to mitigate what would be a significant period of time whereby the contract values are exhausted and the re-procurement process has not concluded. This is not an option as it would involve breaching statutory obligations and enforcement action via litigation and Court Orders. As a result, any cessation to works is not viable.

6. Background information

- 6.1 The issue is put forward because significant prior consideration has been given to addressing the issue with Disrepair claims. The current strategic and operational strategy is working well, having delivered key milestones of arresting the increase of claims, stabilising case levels and entering a net decrease zone. However, in order to complete the overarching objective to reduce claims to an acceptable anticipated turnover and case total, we must ensure that the completion of repairs can continue at the current rate and increase where possible.
- 6.2 The existing contracts are for 4 suppliers, in the amount of £499,999 each. These sums do not adequately cover the cost of clearing the backlog and servicing ongoing demand for repairs in newer cases. Based on the current run rate against those contract values, exhaustion will leave the team without contractual provision to cover the majority of the 25/26 budget. It should be noted that the run rate has been affected by the requirement to complete a significant amount of capital works in order to comply with the requirements of legal cases. For example, a total capital re-charge of £1.2m was accepted for 2024/25, representing approximately 35% of overall works spend. As capital re-charges credit budgets but not contract value, further pressures to the existing contract values are now known and could not have been reasonably foreseen until that exercise was completed in April 2025.
- 6.3 This presents a clear risk to operational delivery throughout 2025/26, which is a crucial period for the project. Should works be slowed down or stopped entirely, substantial legal costs will begin mounting and case closures will slow down and eventually stop. As legal expenditure is on track to reach tolerable levels by the end of 2025/26, we must prevent barriers to completing works as quickly as possible.
- 6.5 This would begin to undo the progress being made in this area and prejudice the strategic objective to both deal with the backlog and bring down the costs and budgetary pressures associated with the same.

- 6.7 Ensuring this cover is in place, both in the immediate interim period and for next financial year(s), will guard against any slowing or cessation of works and deliver the best possible results for the Council and our residents by facilitating appropriate remediation in the case of statutory enforcement and dispute resolution.
- 6.9 Aside from the legal and financial considerations, this will make a positive difference to the interests of our tenants and leaseholders by increasing living standards and delivering a higher level of compliance with our statutory duties in relation to housing conditions.
- 6.10 Enabling us to continue with the progress being made will enhance the Council's reputation and mitigate potential criticism from the Regulator and Housing Ombudsman in relation to Housing Conditions.
- 6.11 The Haringey Deal makes clear that we must get the basics right, and ensure that our interactions with residents should be effective in order to build trust. When dealing with repairs, particularly those associated with legal claims, it is important that we maintain effective arrangements to achieve this goal.
- 6.13 The Disrepair Team have attended the Continuous Improvement Group, to consult with them on the policy and procedures in development for this area. We have not explicitly put this proposal of contract extension and re-procurement to them, but this proposal is consistent with and necessary to deliver the agreed approach.

7. Contribution to the Corporate Delivery Plan 2022-2024 High level Strategic outcomes?

- 7.1 Improving the Council's capacity and procedures to deal with legal disrepair claims to deliver the 'Homes for the future' theme of the Corporate Delivery Plan where everyone should have a safe, sustainable, stable, and affordable home and aims to improve the quality of our social housing and landlord services.

8. Carbon and Climate Change

- 8.1 N/A

9. Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

9.1 Finance

- 9.1.1 The existing contracts with the four contractors are valued each at £0.499m and is expected to reach its limit in the coming months
- 9.1.2 The proposed value extension, estimated at £1.428m, can be accommodated within 2025/26 approved budget for this programme.
- 9.1.3 It is anticipated that some works will be capitalised, helping to offset revenue budget impact.
- 9.1.4 The service should manage work allocation carefully to avoid uneven contract utilisation and the need for further extensions.
- 9.1.5 A long-term contracting strategy should be developed to help reduce reliance on short-term extensions and director-level approvals.

9.2 Procurement

- 9.2.1 Strategic Procurement note that this report relates to the approval to vary the approved spend with four suppliers
- 9.2.2 The purpose of this variation has arisen due to the increased number of disrepair cases. The Authority has a duty of care to ensure that its housing stock conforms to the decent home standard requirements and as such it is working extremely hard to clear the backlog cases so resident can leave in decent homes and at the same time avoid the legal challenges costing the Authority fortunes.
- 9.2.3 This is a statutory requirement under s.11 LTA 1985, 9A (Fitness for Human Habitation), s.4 Defective Premises Act.
- 9.2.4 SP note that the total contract value across the four suppliers including the variation cost is below the threshold for works required under Public Contracts Regulation 2015 (PCR 2015). The requirement under the PCR 2015 for variation will not apply on this occasion.
- 9.2.5 SP recommends having a long-term contract in place with a higher spend value to avoid frequent variations to the contract.
- 9.2.6 SP support the recommendation to approve this variation in accordance with CSO's 18.03.3 & 2.01(d)
- 9.2.7 Future variation is not recommended by SP under this contract as there is a risk of disaggregation.

9.3 Legal

- 9.3.1 The Director of Legal and Governance (Monitoring Officer) has been consulted in the preparation of this report.

9.3.2 Pursuant to the provisions of the Council's CSOs 18.03.3 and 2.01(d) and 2.01(e), Cabinet may approve the variation of a contract where the value of the variation is £500,000 or more and the aggregated value of the variation sought in this report is more than £500,000 and as such Cabinet has power to approve the recommendation sought in paragraph 3.1.1 of the report.

9.3.3 The total value of the contract in the report is below the public procurement threshold for such contract and as such the provisions of the Public Contracts Regulations 2015 under the which the contract let is not applicable.

9.3.4 The Director of Legal and Governance (Monitoring Officer) sees no legal reasons preventing the approval of the recommendations in the report.

10. Equality

10.1 The council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act.
- Advance equality of opportunity between people who share protected characteristics and people who do not.
- Foster good relations between people who share those characteristics and people who do not.

10.2 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 applies to the first part of the duty.

10.3 Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socio-economic status as a local protected characteristic.

10.4 The purpose of this decision is to approve contract extensions and procurement activity, to facilitate appropriate works delivery methods for legal disrepair claims.

10.5 This decision is not expected to have any effect on those who share the protected characteristics and will not advance or hinder the Public Sector Equality Duty in Haringey. As such it will have a neutral impact on equalities.

10.6 As an organisation carrying out a public function on behalf of a public body, the firms will be obliged to have due regard for the need to achieve the three aims of the Public Sector Equality Duty as stated above.

11. Use of Appendices

None

12. Background papers
Original award reports