

BARNSELY METROPOLITAN BOROUGH COUNCIL

REPORT OF: Service Director, Place Regeneration and Culture

TITLE: Extension to Property Repair Improvement (PRIP) Contract

REPORT TO:	CABINET
Date of Meeting	27 June 2022
Cabinet Member Portfolio	Place
Key Decision	Yes
Public or Private	Public

Purpose of report

To seek approval to extend the PRIP Contract for an additional year to 31st March 2031.

Council Plan priority

Healthy, Growing, Learning and Sustainable Barnsley

Recommendations

That Cabinet:-

1. Note the contents of this report, the rationale provided and the benefits of the recommended course of action.
2. Approve the extension of the PRIP contract with Berneslai Homes and Wates Property Services
3. The Executive Director Place, in consultation with the Service Director Finance/S151 Officer, be given authority to proceed with the extension.

1. INTRODUCTION

- 1.1 The Property Repair Improvement Programme (PRIP) Contract was let in April 2020 to run for a 10-year period to 31st March 2030. The contract is split across two providers – Berneslai Homes (BH) (2/3rd of contract value) and Wates Property Services (1/3rd). The total annual contract value is c.£30M

- 1.2 At the point the contract was due to go live [1st April 2020], it was not possible to enter into the agreement with Wates and consequently, a three month extension with the previous provider was agreed. This meant that the Wates element of the contract did not go live until 1st July 2020.
- 1.3 As a result, the end dates for the two parts of the service provision are not aligned.
- 1.4 By aligning the contract end dates, this will remove the potential complexity from any future re-tendering exercise by allowing the two elements of the contract to be considered simultaneously.
- 1.5 Furthermore, the alignment will assist with the strategic management of the contract, including aligning reporting periods to the Council's year end dates i.e. 31st March which helps in terms of comparability of key performance indicators over the same period. There are also further strategic and operational benefits to aligning both contracts in terms of transparency / ease relating to data collection, better opportunities for the alignment of social value and sustainability initiatives and wider strategic planning considerations.
- 1.6 The decision was therefore taken to consider the options to align the end dates.
- 1.7 Two options are possible. The Council could shorten the contract with Wates by 3 months which would see both contracts end in March 2030. Currently, the contract with Wates runs to June 2030. Alternatively, both contracts can be extended to March 2031. In effect, extending the BH contract by 12 months and the Wates contract by 9 months.
- 1.8 Officers have undertaken discussion with Wates regarding shortening the contract. Wates would be happy to reduce the contract term by 3 months but highlighted the costs to them of doing this. As the costs are fixed, based on their commitment to the contract term, they would need to be passed onto the Council. These costs are detailed in Table A below -

Table A

DOV Reduction in Contract Period.			
		2022 price	Including Inflation at year 10 say 25%
Rent	3 months	12,500.00	15,625.00
Rates	3 months	4,249.00	5,311.25
TP rent	3 months	10,500.00	13,125.00
TP Rates	3 months	3,900.00	4,875.00
Los of Profit	No Claim for a good client		-
3 Months fixed Cost			38,936.25

- 1.9 Should the decision be taken to shorten the contract terms with Wates, there would also be some in-year costs incurred by Wates which the Council would be required to cover. These would vary, dependent upon the timing of the re-alignment but could run into 10's of thousands of pounds based on estimates.
- 1.10 It should be noted that this extension does not represent additional expenditure for the Council as the requirement is on-going. The extension would see an additional £25M - £30M being spent through the current contract. That sum being the annual repairs and maintenance budget across both responsive and planned repairs (including the decent homes programme).
- 1.11 The contract has a break clause at 5 years. As such the Council retains the right to terminate the contract at the 5-year point should it wish to do so. In addition, the contract contains a clause which would allow it to bring the contract to an end at 6 months' notice in the event of poor performance. The proposed extension would retain these flexibilities.

2. PROPOSAL

- 2.1 It is proposed that the option to extend the contract is taken with the Wates contract extended by 9 months and the BH contract extended by 12 months, to both conclude on 31st March 2031.
- 2.2 Officers have engaged extensively with colleagues in Finance, Procurement and Governance. With Finance and Procurement, as well as the Client Team, having taken shared responsibility for the drafting of this report. All parties are therefore happy to agree to the proposed extension.

3. IMPLICATIONS OF THE DECISION

3.1 Financial and Risk

- 3.1.1 Consultations have taken place with representatives of the Service Director – Finance (S151 Officer).
- 3.1.2 The PRIP contract currently costs the Council broadly £30M p.a. which is split between the two contractors - Berneslai Homes (BH) who have approximately 2/3rds of contract value and Wates Property Services who have the remaining 1/3rd.
- 3.1.3 The implications of extending the contract by 12 months for BH and 9 months for Wates respectively totals an additional estimated cost to the Council of £27.5M, split between BH (c.£20M) and Wates (c.£7.5M).
- 3.1.4 From a budgetary perspective, the Council produces a rolling 30 year HRA Business plan which incorporates the assumed ongoing requirement for revenue repairs and capital replacements to its Council housing stock, delivered currently through the PRIP contract.

- 3.1.5 Using that longer term perspective and context, the Council sets out a HRA Medium Term Financial Strategy (MTFS) for the forthcoming 2 year period which in turn, delivers an annual budget for the HRA. Therefore, it is expected that the additional cost estimated as a result of this proposal would be contained within the annual HRA budget.
- 3.1.6 The Council will continue to closely assess its financial standing over this period and consider its position in terms of its strategy with regards to Council housing. The Council will determine the most appropriate course of action in respect of both the 5 year break clause and upon the conclusion of the extended PRIP contract, and report back to Cabinet at the appropriate time.
- 3.1.7 The Council would also see a benefit of aligning the end dates of both elements of the contract, more so towards the latter stages of the contract, particularly around the logistics from a procurement perspective when the contract is due for retender, should the Council opt to do so.
- 3.1.8 The financial implications are summarised in the accompanying Appendix A.

3.2 Legal

The proposed modification to the contract is lawful under regulation 72 of the Public Contracts Regulations 2015.

3.3 Equality

Not applicable – This is an extension to an existing contract where an EIA will have been completed.

3.4 Sustainability

Decision-making wheel not completed – This report relates to the extension of an existing contract where sustainability will have already been considered.

3.5 Employee

There are no employee implications arising from this report. However, extending the contract will provide security for the contractors, providing security to the primarily local labour force.

3.6 Communications

Our intention to extend the contract has been communicated to Wates and BH. Once approval to extend is received there will be a need to formally engage further with both parties to deliver a legally binding amendment to the contract document

4. CONSULTATION

- 4.1 Extensive consultation has taken place with the Council's Finance Team, The Head of Strategic Housing, Sustainability & Climate Change, and the Head of Procurement & Contract Management.
- 4.2 Sign off has also been sought from the Service Director Place & Service Director Finance. Both of whom have confirmed their support for the approach.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 As detailed in Section 1 above, two options have been considered. It is felt that the option to shorten the contract with Wates does not represent best value for the Council. Whereas the option to extend the contract provides the opportunity for on-going efficiencies within the Finance Team and removing the need for a complex Procurement process in 2029/30

6. REASONS FOR RECOMMENDATIONS

- 6.1 Exercising a 12-month extension to the PRIP contract represents the most cost-effective way of aligning the end dates for the two elements of the contract.
- 6.2 In turn delivering efficiency benefits for the Council by aligning the Wates element with our own financial year. As well as avoiding a complex procurement programme in 2030 to bridge the gap between the differing contract end dates.

Social Value

- 6.3 Extending the contract by 12 months will also extend the social value opportunities generated from this contract. The PRIP contract was designed to ensure that social value and sustainability are embedded throughout contract delivery; ensuring that directly employed staff across both BHCS and Wates live within the borough and that supply chains remain local. There are KPI's within the contract to ensure that staff are locally employed (restricting sub-contracts), that training, and development opportunities run through the heart of operations and that contract spend benefits the Borough. Both contractors have signed up to deliver a social value plan which requires them to have a minimum number of apprentices at any time during the duration of the contract (c.30) and to ensure that they are adding value to the localities within which they work. This includes providing training and up-skilling for tenants, school visits, tree planting initiatives and an annual contribution to the Better Barnsley Bond Scheme and/or other social value initiatives. Each year, each contractor pays a sum of funding to support social value (split 2/3 to 1/3 across BHCS & Wates respectively) to a sum of £150k. This funding is used to support local groups and charities to deliver vital services and support to residents across the borough.

7. GLOSSARY

None

8. LIST OF APPENDICES

Appendix A – Financial Implications

9. BACKGROUND PAPERS

Background papers regarding this report are held on file within the Procurement & Contract Management team

If you would like to inspect background papers for this report, please email governance@barnsley.gov.uk so that appropriate arrangements can be made

10. REPORT SIGN OFF

Financial consultation & sign off	Appendix A attached
Legal consultation & sign off	Legal Services officer consulted and date <i>Jason Field 04/05/22</i>

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Date: 4th May 2022