

LONDON BOROUGH OF WALTHAM FOREST

Cabinet	Cabinet 13 October 2022	
Report Title	Aston Group Contract Extension	
Cabinet Portfolio	Councillor Ahsan Khan, Deputy Leader and Portfolio Lead Member for Housing & Regeneration	
Report Author/ Contact details	<p>Corporate Director of Housing - Darren Welsh Darren.Welsh@walthamforest.gov.uk 020 8469 4943</p> <p>Divisional Director - Sumitra Gomer Sumitra.Gomer@walthamforest.gov.uk 020 8469 2080</p> <p>Head Mechanical and Electrical Services - Claudio Rizzi Claudio.rizzi@walthamforest.gov.uk 020 8469 2675</p> <p>Housing Place Services</p>	
Wards affected	ALL	
Public Access	OPEN	
Appendices	Appendix A-Equality Screening Assessment	

1. SUMMARY

- 1.1 In 2012 Aston Heating Limited (trading as Aston Group) were awarded the Mechanical and Electrical contract to deliver planned, cyclical, and reactive maintenance to LBWF's Housing Stock by the Council's ALMO, Ascham Homes Limited. This was for a period of seven years with an option to extend for two further periods of four years each.
- 1.2 The contract was extended at the end of the first term following an extensive re-negotiation process and is now due for the second extension in 2023.
- 1.3 The M&E Contract Extension Group has considered the performance of Aston Group (AG), from a broad perspective. Commercially, pricing is in line with the current market and operationally performance is very strong in many areas. Aston Group have demonstrated commitment to working

in partnership through the Strategic Alliance, including both Principal Contractors and the Housing Assets Client to deliver social value over and above the required levels. The Strategic Commissioning Board (SCB) considered all of the above during its 11/08/22 meeting and recommends that the M&E contract is extended for a further 4 years from April 2023.

2. RECOMMENDATIONS

2.1 Cabinet is recommended to:

2.1.1 Approve that the Mechanical & Electrical Contract with Aston Heating Limited (trading as Astons Group) is extended for a further four years from 1 April 2023.

3. PROPOSALS

3.1 In October 2017 Cabinet agreed that the Council implement the option to extend the existing contract at the end of the first seven years from 1 April 2019 subject to satisfactory terms being agreed.

3.1.1 A series of workshops and meetings took place over a three-month period with the contractor (AG) to address, in detail terms, specific issues, exploring solutions that would provide better outcomes for the Council over the extension period – whilst also ensuring a commercially sustainable arrangement for AG.

3.1.2 The review focused on four key areas: Commercial Issues, Performance Management, Structured Governance, and ICT. Negotiations resulted in several extensive improvements and changes to the contract and working procedures.

3.2 The second 4-year extension term is due on 1st April 2023 and a Mechanical and Electrical Extension Task Finish Group was established to review the performance prior to any formal decision being taken.

3.2.1 This was attended by 4i Solutions who facilitated the extension process and members of the Procurement team, Property Group, Mechanical and Electrical Team, and the Commercial Team.

3.2.2 The scope of the Group was to review the key areas of the contract against performance KPIs and agree them prior to issuing an extension. However, as the previous renegotiation was extensive, improvements still being current, it was not considered necessary or efficient to extend the scope further.

3.2.3 The summary of the outcome of the above including key areas reviewed:

- Resident Satisfaction
- Commercial Performance
- Cost Benchmarking
- Operational Performance
- Social Value

- Strategic Alliance Feedback
- Council Feedback

3.3 RESIDENT SATISFACTION

- 3.3.1 Aston has consistently maintained customer satisfaction KPIs with both Planned Works and Reactive Repairs above the 95% target.
- 3.3.2 The table below shows Aston Group's performance against the total residents satisfied with their last repair.
- 3.3.3 In Green is where Aston Group's score is ranks significantly higher than their total average prior to 20/21, a year-on-year (YoY) improvement.

% satisfied with...	Total Satisfied	Aston Heating
Being told when workers would call (1187)	79%	87%
Being able to make an appointment (1078)	77%	86%
Time taken before work started (1117)	73%	83%
The speed of completion of the work (1123)	78%	86%
The attitude of the workers (1112)	87%	89%
The overall quality of the work (1114)	79%	86%
Keeping dirt and mess to a minimum (1116)	83%	87%
The repair being done 'right first time' (1089)	75%	85%
The contractors doing the job you expected (1088)	78%	87%

3.4 COMMERCIAL PERFORMANCE

- 3.4.1 An independent performance review was carried out in June 2020 by 4i Solutions on the current contract extension. The report found "In general, the contract is being managed effectively and in line with the conditions set out in the contract extension and aligns with the governance structure set by the terms of reference, as agreed and formulated by the Strategic Alliance."
- 3.4.2 The report comprised recommendations which AG have responded to. Contractually Astons are entitled to Inflation uplifts at CPI. Aston has achieved its YoY Value for Money Target of 3% Capital and 1% Revenue

As agreed at the 2019 extension this will continue to be delivered through the approaching extension term recommended in this report.

- 3.4.3 Aston Group has a bespoke IT system called ACIMs which has been specifically developed in line with LBWF requirements in conjunction with LBWF Officers. This has been progressively implemented throughout the works packages. Allowing for increased transparency around job progression and cost management.
- 3.4.4 Aston Group also provide considerable client-side support to LBWF, e.g., Design, management, and resident consultation which allows the Council to minimise its costs.

3.5 COST BENCHMARKING

- 3.5.1 4i carried out a benchmarking exercise on a major task price produced by Aston group for the refurbishment of Clifton House. This scheme incorporated all the main elements of work, including Kitchen and Bathrooms, construction, Mechanical and Electrical. The report found that in all the main areas the pricing was consistent with market rates. This included the preliminary costs build up, design, demolition, kitchen and sanitary ware, installation as well as the mechanical and electrical.

4. OPTIONS & ALTERNATIVES CONSIDERED

- 4.1 The Options we have considered are:
 - 4.1.1 **Option to Tender:** Re-tendering this contract is an option that has been carefully considered. However, this option would only be considered if the current contract was not delivering in a satisfactory way and/or was not offering best value for money. As this is not currently the case, this option is not recommended as it would be costly and time consuming with a likely outcome that new contract terms could be less favourable than the existing.
 - 4.1.2 **Do Nothing:** This is an essential service to maintain housing stock. Doing nothing would leave the Council negligent and is not an option.
 - 4.1.3 **Extension of Current Contract – Recommended**

There is a further four-year extension permitted in this contract. Therefore, it is procurement compliant and has received necessary approvals at award. The current contract has been rigorously reviewed and tested and found to be delivering in a satisfactory manner, with performance improvements evident. The Council has a good relationship with this Contractor, AG, and is currently benefiting from the experience of past years delivery and is operating at peak performance (post mobilisation and learning curve). This service is still required and therefore the most cost-effective recommendation is to extend the current contract.

- 4.1.4 An alternative option of subsuming the delivery of M/E services into the current contract delivering Building Works. It was not considered viable.

5 SUSTAINABLE COMMUNITY STRATEGY PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)

- 5.1 The delivery of Mechanical and Electrical services and in particular works to deliver the Council's Climate Emergency objectives also delivers aspects of the Strategic Reset priorities and delivery programme to recover from the pandemic and build a bright future for all in LBWF. The Waltham Forest Housing Strategy 2019-2024 is aligned to those priorities with a focus on a healthy, safe, green, and a more equal Waltham Forest.
- 5.2 In support of those priorities, subject to ongoing budgetary provision, the housing department is making significant capital investment in its stock over the next 10 years calculated at £413 million (2021-32).

6 CONSULTATION

- 6.1 The Residents Scrutiny Panel is currently considering customer satisfaction regarding the delivery of Maintenance services and have considered the performance of the Aston Group.
- 6.2 They are aware that an extension is under consideration and have not voiced concerns.

7 IMPLICATIONS

7.1 Finance, Value for Money and Risk

- 7.1.1 The contract will be funded by utilising existing capital budgets held within the Housing Revenue Account (HRA), within the current budget envelope. The budgets for investment in the HRA Dwelling Stock are based on detailed stock condition data
- 7.1.2 The estimated contract value is specified in the table below:

Estimated contract value (annual)	£19,250,000 per annum
Estimated contract value (total)	£77,000,000

- 7.1.3 With the current economic climate, it is challenging to procure competent capable contractors to deliver to LBWF Programme expectations. Re-procurement would be based on CPI to which Astons are contractually entitled. The Partnering Advisor 4i Solutions undertook a review of the Aston Contract within three key areas namely, KPIs, Cost, And Social Value with the conclusion that Aston are delivering Value for Money.
- 7.1.4 Given their experience of current market conditions, 4i Solutions consider there is a significant risk that tendered prices would increase

substantially from the current contracted levels. Their recent experience suggests that this would likely be in a range of between 15% and 25%.

- 7.1.5 Additionally, given the developing detail around the requirements of the Building Safety Act and the Council's approach to decarbonisation, the M&E Extension Group believe there are significant benefits in continuing to work with Aston Group to further develop the Council's approach.
- 7.1.6 A benchmarking exercise of elements of works at Clifton House demonstrates that Aston Group costs are overall commensurate with the market rate.

7.2 Legal

- 7.2.1 The Contract (which was originally procured by Ascham Homes Limited the Council's ALMO) commenced on 1st April 2012 and was novated to the Council on 10th November 2015. The Council exercised its option to extend the term by 4 years under clause 13.1 of the Contract by a deed of variation which extended the Contract expiration date to 31st March 2023. The Contract allows for a further 4-year period of extension and rule 21.8 of the Council's Contract Procedure Rules is being complied with.
- 7.2.2 The Council is the local housing authority under the Housing Act 1985 and in accordance with the Act has the power of general management and the power to repair or improve its housing accommodation.

7.3 Equalities & Diversity

- 7.3.1 The proposal is not considered to have any potential for negative impact on the protected equality characteristics. All contractors are required to have up-to-date equal opportunities policies. An Equalities screening assessment has been carried out – Appendix A refers.
- 7.3.2 Clause 15.17 of the TPC supplemental terms & conditions of contract sets out obligations to be undertaken. The Aston Group Resident Liaison function supports residents in ensuring that maintenance /major works for example in Sheltered Housing. Taking into account of special needs of those residents and delivering adaptations through the Council's Home Adaptations service.
- 7.3.3 As part of the Maintenance review, Repairs raised since 2019 are being reviewed against the Tenants E&D profile for any adverse impact that may be identified.

7.4 Sustainability

- 7.4.1 The Aston Group sustainability works which will progress further if awarded the extension, includes:
 - a) Working closely with the Council in delivering sustainability and energy efficiency works.

- b) delivering the Green Leaf Road Retro Fit Show Home which included external wall insulation, air source heat pump, solar PV with battery storage and will inform future works.
- c) Included in delivering over £3M of external funded energy works, which includes over 140 external wall insulation projects and subject to a successful bid will deliver an additional £2M for further works for delivery in 2023 and 2024.
- d) Managing and maintaining around 1,100 Solar PV panels installed in our properties.
- e) Delivering a deep retrofit to a sheltered hostel with 40 flats including Solar PV, external wall insulation and communal air source.
- f) installing air source Heat Pumps to 6 property conversions.

7.5 COUNCIL INFRASTRUCTURE

7.5.1 The proposals will be met within the existing Council infrastructure and resources.

7.5.2 Aston had previously commenced the development of an in-house IT system called ACIMs and presented a proposal to continue the development to align with the Council procedures in delivering the contract. This has been honoured, has now progressed, and is an integral part of their repairs, cyclical maintenance, and planned works delivery to LBWF. The system interfaces with Northgate and development.

BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)

None