

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Jon Pickstone, Strategic Director of Economy Dept.

Date: 23/11/2022

Subject: Short-term extension of Pinnacle Caretaking Contract

Report author: Emma Lucas, Commissioning Lead

Responsible Director: Fiona Darby, Assistant Director Place Services, Economy Department

SUMMARY

This paper requests authorisation to apply a short-term extension of 9-months to the existing Pinnacle Caretaking contract, from 30 June 2023 to 31 March 2024 at an anticipated value of up to £3,143,009.

The extension is provided for within the current contract, which gives the option of extending the contract for up to five years.

A short-term 9-month extension will enable sufficient time to deliver a long-term solution for the service, which is the subject of a separate business case and Cabinet paper.

Given the large size and value of the service, and the internal governance timeframes required to make the final decision on the long-term solution of the service, it is deemed prudent to award this short-term extension to ensure there is sufficient time to implement and mobilise the long-term solution.

RECOMMENDATIONS

1. That a contract extension of 9 months is granted to Pinnacle Ltd in respect of the Housing Caretaking service, extending the service from 30 June 2023 to 31 March 2024, at an anticipated cost of up to £3,143,009.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	As part of the existing contract the provider contributes to a 'Community Fund Pot' which is used to support local community initiatives.
Creating a compassionate council	Delivering a quality caretaking service ensures that residents live in clean and tidy blocks and that a pleasant

	environment is maintained in their surrounding area. The existing service is subject to quality inspections and regular performance reviews.
Doing things with local residents, not to them	A comprehensive resident consultation is being held on the longer-term delivery model of the housing caretaking service which will inform the scope, specification and delivery approach of the service. Delivering this short extension will mean the council has sufficient time to build in resident feedback and priorities to the ongoing service.
Being ruthlessly financially efficient	Delivering an extension to the current contract means cost will be known and in line with current contract terms and conditions. It will also enable time to ensure long-term delivery solution is thoroughly interrogated to deliver best value. The service will continue to be recharged at cost to residents as part of their caretaking service charge, maintaining sustainability of the service.
Taking pride in H&F	Delivering a well-performing caretaking service demonstrates pride in the appearance of our blocks and estates. This extension will ensure continuous delivery whilst ensuring time to put in place a high-quality long-term solution.
Rising to the challenge of the climate and ecological emergency	Whilst the extension will be broadly delivered on the existing specification and scope, additional requirements relating to supporting a carbon net zero approach will be included in the long-term delivery solution, including requirements for electric fleet etc.

Financial Impact

The report seeks approval for a contract extension of 9 months (from 30 June 2023 to 31 March 2024) to the existing caretaking service contractor Pinnacle. This will be at an anticipated cost of up to £3.143m (9 months cost) and includes an assumed uplift on current costs of 10% (based on current inflation) and work will be undertaken during the extension negotiations to minimise the potential cost increases. The estimated cost of the extension compares to the equivalent budget of £2.858m in 2022/23 (over 9 months).

The additional costs are likely to be reflected in future service charges for tenants and leaseholders and will be dependent on the outcomes from the contract extension negotiations.

Danny Rochford, Head of Finance (Economy & Housing Revenue Account),
9/11/2022

Verified by Sukvinder Kalsi, Director of Finance, 15/11/22

Legal Implications

The Council has a contract with Pinnacle Housing Limited dated 2013 for the 'Provision of Housing Services' which includes caretaking services. It commenced on 1 July 2013 and has a contract term of 10 years extendable by up to 5 years. This report seeks approval to exercise that option to extend for 9 months.

The extension is permitted under the Public Contracts Regulations 2015 because it is a modification has been provided for in the initial procurement documents in a 'clear, precise and unequivocal review clause' (reg 72(1)(a)(i)). It is also permissible under the Council's Contract Standing Orders ('CSOs').

The appropriate decision maker is the relevant SLT member.

Angela Hogan, Chief Solicitor (Contracts and Procurement) 26 August 2022

Proposals and Analysis of Options

1. The proposal is that a short 9-month extension is granted to the existing Pinnacle Caretaking contract, taking the contract up to 31 March 2024.
2. This will allow sufficient time for a long-term solution for service delivery to be agreed through the internal governance processes, implemented and mobilised.
3. Given the large size and value of this contract there is deemed to be too much risk to try to deliver a long-term solution, which may consist of reprocurement or in-housing the service and is the subject of a separate business case and Cabinet report, within the original contract end date of 30 June 2023.
4. The contract explicitly allows provision for this extension (indeed the option is available to extend this contract for up to 5 years).
5. At the end of the extended contract in March 2024 the long-term solution will begin, following the Cabinet decision taken on the preferred delivery option.

Option 1: Authorise 9-month extension to existing contract (recommended)

6. Deliver a short-term extension to the existing caretaking contract with Pinnacle, to allow sufficient time to implement the long-term solution.
7. This is considered sensible given the large size of the service (100+ employees) and contract value.

8. It is also provided for within the existing terms of the contract and means the continuation of what is currently a good standard of service delivery to residents from a provider who understands the stock and service.

Option 2: Do not authorise an extension and allow the contract to end in June 2023

9. This is not recommended as it is unlikely the long-term solution (subject of another Cabinet paper) will be able to be effectively implemented by June 2023 which would potentially leave a period of poor service delivery for residents.
10. Any procurement process would have to be reduced from the preferred route (of competitive tender with negotiation) which could lead to not getting the best value offer possible.
11. Any project to in-house would have to be delivered within a shortened timeframe potentially putting the process at risk.

Option 3: Long-term contract extension

12. The contract gives the option to put in place a long-term extension of up to 5 years.
13. However, given the service contract is 10 years old it predates a number of council strategies, including social value requirements, and has a number of service gaps in the specification.
14. It's therefore deemed that a simple long-term extension of the contract would not be most beneficial for the service.

Existing service delivery

15. The current service is delivering to a good standard with key KPIs met over the last year.
16. Pinnacle have delivered the service for the last decade and have a good understanding of the stock and the general requirements of the service.
17. The Client Management Team will continue to work closely with the service to monitor performance and work with residents to ensure service delivery reflects their expectations.

Contract Negotiations

18. Pinnacle have indicated they are willing to continue to deliver the service for the extension period.
19. The extension of the contract will be on the existing terms and conditions. Whilst there are some existing service gaps and additional scopes of service which would benefit the service, these will be built into the long-term service delivery from April 2024 onwards.

20. In line with the terms of the contract the extension will be subject to an inflationary uplift in line with CPI, and pro-rata'd by 9 months.
21. The cost outlined anticipates an inflationary uplift of 10%.

Contract Management

22. The Client Management Team will continue to be responsible for the contract management of the service with oversight managed by the Head of Estate Services, alongside the Quality and Performance Manager.
23. Monthly contract management meetings will take place and the KPIs will continue to be monitored as per existing – in particular, a focus on the percentage of quality inspections which are passed.

Reasons for Decision

24. The decision is recommended to ensure continued effective delivery of the caretaking service across housing estates whilst the longer-term solution is defined and implemented.

Equality Implications

25. There are no negative equality implications noted from completing the impact assessment. Having an effective caretaking/cleaning service should ensure that communal areas remain clean, safe and free from potential hazards, which could disproportionately affect residents who have reduced mobility/stability and are at a greater risk from falls.

Risk Management Implications

26. The report recommends approving a short extension to the existing caretaking contract to ensure continuity of service to residents and for a full procurement exercise to be undertaken award a new long-term contract. This is in line with the Council objective of being ruthlessly financially efficient.

David Hughes, Director of Audit, Fraud, Risk and Insurance, 1 September 2022

Climate and Ecological Emergency Implications

27. There will be minimal changes to climate implications of the service delivery as a result of this extension as this will be on existing terms and conditions.
28. The service is based out on estates in office space and rotas are managed in such a way to minimise travel through geographic patches.

29. The longer-term service delivery, subject to a separate procurement strategy paper, will include updated specifications around sustainability and use of green fleet and equipment to support the council's move to be carbon net zero.

Verified by Hinesh Mehta, Head of Climate Change, hinesh.mehta@lbhf.gov.uk

Consultation

30. A resident consultation on the caretaking service was launched on Friday 1 July and ran for one month. This consultation requested resident feedback on the current service and areas for development or improvement. The findings from this consultation will inform the long-term service delivery solution and be included in that paper.
31. Regular feedback on the general service is sought through our resident groups, most recently at the Repairs and Estate Services Working Group in May 2022.