

APPENDIX B

Leaseholder re-charging risk mitigation

The following actions to be taken to manage the risk of financial loss:

- i) Prioritise highest risk contracts for replacement at the earliest opportunity;
 - a. M&E contract to be prioritised before General Build, due to higher value individual orders
- ii) Introduce control measures to limit the volume and value of works carried out by
Mears;
 - a. Identify categories of work and/or individual orders which can/should be delivered through alternative means;
 - Use of existing alternative contracts/frameworks for individual high value orders
 - New procurement for parcels of work e.g. project work or high value work
 - b. Identify individual orders which cannot be delivered through other means but for which individual S20 should be sought (via Leasehold Services – retrospective if required);
 - c. Identify any categories of work or individual orders, which can be deferred until the new contracts are in place, put these on hold and assign in due course;
- iii) Monthly monitoring of expenditure on by block/estate to predict and anticipate areas in risk of reaching the threshold, then initiating dispensation for these as required.

The Control Measures to deliver these actions:

1. Upfront identification of works to be considered for deferral or to be diverted, including, but not limited to:

1.1. Estate Curtilages work – some aspects of this programme are quite expensive but can easily be packaged and assigned to alternative contractors, either on a framework or by going out to mini-tender, on an Estate or Neighbourhood basis, or by workstream. The Project Manager overseeing these works is exploring options.

1.2. Major M&E works – where major components have failed in any M&E plant and machinery, these can be expensive to replace. Unless they are emergencies, the team will seek assistance from colleagues in Property Services to address these.

If urgent/emergency and unavoidable, they will use the quick calculator below to identify if additional individual S20/dispensation required.

1.3. Boiler installations (only relevant if Domestic Gas contract not live on 01 April) – programmed boiler installations already happen via GEM and Mears only carry out ad-hoc installations. With more flexibility and responsiveness from GEM, it may be possible to arrange for them to also undertake emergency installations.

2. Quick calculator tool

2.1. A new tool has been developed to assist Repairs staff in identifying high value individual orders, which ought to be subject to individual Leasehold consultation. This allows a quick decision to be made on the appropriate route for works to be delivered.

2.2. The tool provides a quick and easy calculation of the unit cost and recommends whether an alternative course of action should be considered.

3. Monthly Mears expenditure monitoring and tracking

3.1. A monthly monitoring and reconciliation process has also been developed, whereby Leasehold Finance team can highlight any blocks or estates where expenditure is close to or considered likely to exceed the threshold.

3.2. This process will track all aspects of expenditure with Mears, both revenue and capital, across all workstreams.

3.3. The monthly tracker will be maintained and can be presented to EMT and/or relevant colleagues/alternative meetings as required.

3.4. Decisions can then be made around dispensation for specific blocks or estates, where high levels of spend have been unavoidable and where additional authority is required.

4. Cost Benefit Analysis

4.1 It could be argued that there are sound reasons, both financially and reputationally, that would dictate that we would concede an element of write-off in a given situation. There are and no doubt there will be situations where the s20 limit is exceeded but to a 'de-minimus' level. Such that staff time and resources spent on trying to recover relatively small sums means that the resources expended actually exceed the amount we are seeking to recover. This is a scenario that is irrespective of the contract extension.

4.2 Where the potential loss could be more significant (£10,000's) we would still need to balance the potential costs of a dispensation case against the likelihood of success. Note that where we bring a dispensation case we pay for the lessee's legal costs. We also need to be aware of the proportion of leaseholders involved. Where the block/estate is heavily tenanted then of course the potential loss is reduced proportionality.

4.3 Ultimately the plan is that we minimise high value repairs and conduct these either via an already compliant contract or we defer until the new repairs QLTA comes on stream.

4.4. Another point to bear in mind is that costs incurred in this period will not be actualised until September 2022. This does allow for more than adequate time to take a decision on not charging or seeking dispensation.