

Report for Information

Report to Audit Committee
17 January 2011

Report of Director of Regeneration & Development

Subject Business continuity and risk management

6

Purpose

To review the actions taken by the City Council in relation to the withdrawal of a major service supplier

Recommendations

That the audit committee note the contents of the report and the attached appendices.

Financial Consequences

There are no new financial consequences arising from this report.

Risk Assessment

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority “Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners”

Executive Member: Councillor Waters - Corporate Resources and Governance

Ward: (All wards)

Contact Officers

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Background Documents

Background document Executive Report 23rd September 2010 ‘Service provision post Connaught Partnerships Ltd administration. This document is not for publication because it would disclose information relating to the financial or business affairs of any particular person (including the authority holding that information) as in para 3 of Schedule 12A to the Local Government Act 1972.

Report

Introduction

1. The purpose of this report is to consider the business continuity arrangements implemented by the City Council in response to the financial collapse and subsequent administration of Connaught PLC and Connaught Partnerships Limited in September 2010.
2. Attached as Appendix A is a report to the September 2010 Council explaining the background to the re-let of the 18 separate direct works functions, which were let in 10 separate lots in April 2010. The report explains in detail the chain of events that lead to the withdrawal of a major provider for seven of these contracts. The report to Council provides a detailed assessment of events and the actions taken by the city council. Sections 17, 18 and 19 are relevant to this report.
3. The Audit Committee has specifically asked for a report on the actions taken to maintain business continuity in these very unusual circumstances. Therefore this report looks at the period from 24th June 2010 when the first profit warning was issued by Connaught to their subsequent administration on the 7th September 2010 and concludes on the 23rd September 2010 when the Executive agreed future service delivery arrangements and effectively moved the process from a business continuity arrangement to procurement.
4. At the time the contracts involved in the administration process were the delivery of environmental services, (street cleansing, grounds maintenance, arboriculture, refuse and recycling collection), and housing services (housing repairs, maintenance and improvements, gas servicing, asbestos surveys and electrical and mechanical services).
5. A forthcoming meeting of the Scrutiny Committee will look at the due diligence arrangements for the letting of the original contracts and, therefore, since this is not a business continuity matter, this is not an issue considered in this report.

business continuity

6. The corporate business continuity plan for the management of business continuity issues at gold/strategic level was agreed and became effective on 18 March 2009. It is currently being reviewed and updated following an external audit by Zurich insurance company.
7. The chief executive and deputy chief executive posts are designated as the corporate and deputy recovery managers respectively.
8. The plan is a restricted document. It is not for public circulation and is made available only within the council. Appendices A and P of the plan are attached as Appendix B which detail the escalation process followed where a business continuity event occurs and the business continuity check list that form the basis of the agenda for all meetings.
9. The management of all business continuity issues follows the same principle of

setting a standard agenda that addresses all key issues, logging all meetings, the decisions made and the reasons for those decisions.

10. The key issues identified are prioritised into short, medium and long term, which determines the need for immediate action or the development of managed projects through the post incident recovery phase.
11. As with all business continuity management a post incident review was carried out. This identified a number of areas for improvement and these have been taken into account by officers.

Risk assessment and implementation of business continuity plan

(A) business continuity: Planning Phase

12. During June 2010 officers were aware of growing concerns about the financial standing of Connaught and were in regular contact at a director level. The announcement to the City on the 24th June of a profits warning for the Connaught group prompted work on a business continuity plan in the event of a partial or complete service withdrawal.
13. An officer team was established to assess risks and identify contingency arrangements. The risk assessment established those services that were critical services for residents and tenants (e.g. emergency housing repairs, gas servicing, refuse collection) where failure was not acceptable alongside less critical services where some disruption would not present a serious risk of harm to individuals or property and as a result some slippage to agreed standards could be tolerated (e.g. grounds maintenance). On this basis it was possible to establish a business continuity approach that matched the type and proportionality of the response to the critical nature of the needs of the service in the short, medium and long term.
14. The business continuity planning phase was captured on a data base which was kept under regular review during July and August 2010

(B) business continuity: Implementation Phase

15. On Tuesday 7th September there were reports that Connaught was moving in to administration and the formal announcement was made the following day. At this stage the business continuity process moved to an implementation phase with a Gold command structure established. In relation to the adopted business continuity Process this was a major incident, a corporate recovery team was set up to provide strategic direction, a communication plan was agreed, regular member liaison was established, external advice was secured, workforce liaison was maintained, and tactical teams were activated to address the operational detail required to deliver environmental and housing services based on the prep-planning work described in section (A) above.
16. The next seven days saw an unprecedented level of activity to ensure critical services were maintained, that immediate and short term service continuity options were assessed and implemented and that vulnerable service users were not put at risk. The outcome is documented in section 19 of the report attached as Appendix A. By the 20th September the process had moved to a procurement exercise and this brought to an end the business recovery task.

At this stage the service delivery position was as follows:

- ❖ Refuse collection and recycling – novated to Connaught Environmental Limited and employees transferred
- ❖ Grounds maintenance - novated to Connaught Environmental Limited and employees transferred
- ❖ Street cleansing - novated to Connaught Environmental Limited and employees transferred
- ❖ Arboriculture services - novated to Connaught Environmental Limited and employees transferred

- ❖ Emergency housing repairs – emergency contract with Lovell Partnerships Limited
- ❖ Gas servicing – emergency contract with Ward and Rooney Limited
- ❖ Part completed bathrooms and kitchens – emergency contract with Lovell Partnerships Limited to complete
- ❖ Part completed window replacement – emergency contract with Ashford Commercial Limited to complete
- ❖ Housing voids – emergency contract with Lovell Partnerships Limited

17. Furthermore on the 23rd September 2010 the Executive agreed a strategy for the procurement of the environmental services that included the above emergency arrangements together with an assessment of the actions required to secure longer term service delivery. This long term procurement process is underway and the Contracts Working Party is advising the Cabinet on the service delivery options.

(C) business continuity: Review Phase

18. Having moved from business recovery to procurement the business continuity process was concluded and the work undertaken was reviewed. The conclusion of the review was very positive in that in the context of a major business failure the council managed to maintain critical housing services and environmental services continued on an almost 'business as usual basis' (in exceptional circumstances).

Report for Information

Report to Council
28 September 2010

Report of Deputy chief executive

Subject Review of the process used to replace the services
previously provided by CityCare

11

Purpose

To advise members on the process used to replace the services previously provided by CityCare

Recommendations

This report is for information

Financial Consequences

There are no direct financial implications

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority “Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners.”

Contact Officers

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Background Documents

Reports to the executive, and minutes of the executive: 21 January 2009; 18 March 2009; 8 April 2009; 13 November 2009; 10 February 2010.

Report

1. Context and background

Norwich City Council provides a range of “direct works” services, including:

- Housing repairs and maintenance
- Housing upgrades
- Laundry equipment maintenance
- Gas servicing
- Electrical and mechanical servicing
- Water testing
- Solid fuel maintenance
- Building repairs and maintenance
- Building cleaning
- Refuse, recycling and waste services
- Street and other cleaning services
- Arboriculture services
- Grounds maintenance services
- Highways repairs and maintenance
- Solid fuel maintenance

Up until 1st April 2000 these were provided by City Works, a department of Norwich City Council as a result of the requirements to enter into Compulsory Competitive Tendering (CCT). On 1st April 2000 the provision of these services was contracted out to a single, external provider CityCare, and they were delivered through 26 contracts of 10 years duration. The City Works employees who were employed by the Council were transferred, under TUPE (Transfer of Undertakings Protection of Employees) to CityCare on 1st April 2000.

CityCare was owned by a number of different companies throughout the 10 years it was in operation, and in the later stages, and up to its dissolution on 31 March 2010 it was jointly owned by Morrison Facilities Services and Veolia Environmental Services.

In the spring of 2008 Norwich City Council began preparations to establish alternative ways of delivering these services as all 26 contracts terminated on 31st March 2010 and there were no provisions in the contracts to extend them beyond this date.

The Council went out to tender to engage specialist support to undertake this exercise and in August 2007 appointed HELM (a specialist consultancy service, later to become Tribal HELM, and Tribal Consulting to advise on and support this process.

An internal Project Team was established with staff from housing property services, asset and city management, citizen services, transport and landscape, procurement and service improvement, finance, Tribal Consulting, and members of corporate management team, to scope the project, and then to implement the project. Staff from customer contact and communications teams were also involved in assessing customer requirements.

Appendix A

Members were engaged in shaping this work through a cross party 'Contracts working party' that discussed and challenged how the re-provisioning of these services should proceed,. They explored how the council's objectives could be fully pursued through any new arrangements, and made recommendations to the Executive regarding decisions that needed to be made. This included the approach and methodology to be adopted during the relet process. The Terms of Reference and membership of the contracts working party are attached at Appendix A.

2. Contract values

At this stage, the expenditure on the contracts was:

- Housing repairs and maintenance - £8.7M
- Housing Repainting & Repairs prior to painting - £800K
- Housing upgrades - £17.4M
- Laundry equipment maintenance - £28k
- Gas servicing - £1.4M
- District Heating - £200K
- Electrical and Mechanical servicing - £650K
- Water testing - £35k
- Building repairs and maintenance and improvements - £1.5M
- Building cleaning - £330k
- Refuse, recycling and waste services - £3.37M
- Street and other cleaning - £1.69M
- Arboriculture services - £510k
- Grounds maintenance services - £3.1M
- Highways Maintenance - £1M
- Highways Upgrades - £2.1M
- Highways Winter Maintenance - £500K
- Solid fuel maintenance £50k

3. Shaping the contract relet process

In December 2008 and January 2009 the Contracts working party discussed the options available to the Council. On 21 January 2009 the Executive considered the 'CityCare services re-provisioning strategy'.

Extract from the minutes of Executive on 21 January 2009

11. CityCare services re-provisioning strategy

The Deputy Chief Executive presented the report and, together with Councillor Waters answered questions about the proposed strategy for the re-provisioning of the CityCare services.

Discussion took place on the three contracts proposed for early re-lets and the need to involve sheltered housing wardens in the re-letting of the contract for laundry equipment maintenance.

Resolved to -

- (1) agree the proposed strategy;*
- (2) note that the scope of services discussed at the Contracts Working Party on 9 January 2009 is work in progress that is moving the re-provisioning of services in the right direction but will be further refined and returned to the Executive for approval;*
- (3) agree that the in-sourcing of services is discounted but reserved as an option if the market does not provide the required level of services at an affordable price; and*
- (4) agree that the next generation of contract renewals provides that opportunity for exploring the in-sourcing of services in more detail*

On 18th March 2009 the Executive considered a report on the further refinement of the re-provisioning strategy.

Extract from the minutes of the Executive on 18 March 2009.

6. Publication of OJEU notice for the public facing contracts currently provided by CityCare

The Head of Procurement and Service Improvement presented the report and answered members' questions on the re-let of the public facing contracts.

Resolved that -

- 1) the contracts are broken down into the lots as described within the report;*
- 2) a single OJEU (Official Journal of the European Union) notice is published encompassing all of the lots and;*
- 3) alternative methods of advertising the opportunities offered by these procurements to local small and medium sized enterprises are actively pursued.*

4. Contract relet process

This was the start of the process for re-provision of the services provided by CityCare. Given the scale of these contracts this process was governed by the EU Procurement Regulations. These regulations are complex but in summary required the Council to:

- be open, fair and transparent
- treat all suppliers equally
- advertise the contracts in the Official Journal of the European Union (OJEU)
- adhere to set timescales
- follow a designated procedure leading to the award of a contract
- use set criteria to assess suppliers
- use set criteria to assess tenders submitted by suppliers
- observe a 10 day standstill period after announcing the intention to award the contract
- provide feedback to suppliers

Appendix A

The method of selecting contractors was a restricted procedure where contractors were short-listed following the submission of a pre-qualification questionnaire (PQQ) and then the evaluation of tenders submitted by the short-listed contractors.

The process to achieve this was:

- Advertising the contract notice in the OJEU on 14 April 2009
- Inviting bidders to submit a prequalification questionnaire (PQQ) by 14 August 2009
- Preparing contract specifications
- Preparing scoring mechanisms to assess PQQ's and bids.
- Assessing the PQQs
- Inviting contractors who were successful at PQQ stage to submit bids against contract specifications.
- Submission of tenders by 16 October 2009
- Evaluation of tenders
- Final selection of tenderers.

On 8 April, following on from discussions at the Contracts working party the Executive agreed to re-let the Building Cleaning Contract, on a different timescale to the other contracts. This would give the council an opportunity to work through the re-let process in advance of embarking on the letting of the majority of the contracts.

Extract from the minutes of Executive on 8 April 2009

10. Tender evaluation criteria for the building cleaning contract

The Head of Procurement and service Improvement presented the report and said that this had been endorsed by the Contract Working Party at their meeting on 27 March 2009.

The Executive member for sustainable city development said that he was satisfied with the tendering process which would look to receive a good price, based around equality, diversity and environmental considerations to obtain a good balance.

Resolved to:

- (1) use the tender evaluation criteria as set out in the report;*
- (2) approve the weightings as described in the report*

5. Inviting bidders to submit a prequalification questionnaire (PQQ).

The first step in the process was to agree the PQQ, and following on from discussion and agreement at the contracts working party at their meeting on 8 April 2009 the Executive agreed the recommended process to be used.

Extract from the minutes of executive on 8 April 2009

11. Pre-qualification criteria for the City Care service re-provisioning.

Appendix A

The Head of Procurement and Service Improvement presented the report and referred to the recommendations made by the Contracts Working Party.

In response to a question the, the Head of Procurement and Service Improvement said that the applicant would need to be able to demonstrate a good financial standing and that they were able to deliver the service.

Resolved to –

- 1) use the Office for Government Commence Pre-Qualification Questionnaire Version 0.1 as at Appendix 1 of the report;*
- 2) approve the weightings as described in the report and as detailed in the office for Government Commence Pre-Qualification Questionnaire: Evaluation Methodology Version 0.1 as at Appendix 2 except for voluntary disqualification items discretion is used as detailed in the report (Part G of the evaluation criteria).*

6. Building cleaning contract

This was let during August 2009 with a September start on site, following the above methodology.

7. Assessing the PQQs

Every supplier that expressed interest in provision of some/all of the services (171 in total) was provided with a PQQ with 57 completed PQQs being received. The assessment and shortlisting of contractors was carried out by officers from Tribal Consulting, finance, procurement and service improvement, citizen services, asset and city management and housing property services.

This included assessment of the following:

- Technical capacity
- Previous experience
- Health and safety
- Financial standing
- Equality and diversity
- Quality assurance
- Environmental performance
- References from 3 private sector and 3 public sector clients

8. Preparing contract specifications

Teams of people in the council were established to draw up contract specifications. These teams were supported and advised by Tribal Consulting and NPS.

9. Preparing scoring mechanisms to access bids

The teams devised, with guidance and support from Tribal HELM, mechanisms to assess both the quality and price of the bids.

They also invited contractors who were successful at PQQ stage to submit bids against contract specifications.

38 contractors were invited to submit bids. The final date for submission of bids was 16th October 2009.

10. Submission of tenders

The Council received bids from 19 contractors and on 17 October and 19 October 2009 these were opened in a properly regulated environment, in other words with complete confidentiality as required under the procurement regulations.

11. Evaluation of tenders

Price and quality were evaluated separately as stated in the tender documentation and the teams of people who carried out the assessment on price were not aware of the quality score and vice versa.

Executive members were engaged in reviewing the evaluation of the quality aspects of the bids and tenants and leaseholders were involved in the evaluation of the quality aspects of the housing contracts.

A financial evaluation was conducted by Tribal Consulting and the finance team.

Each bid was scored in accordance with the criteria that had been published in the tender documents. Quality and price scores were added together to give a final mark out of 100 or 1000.

The weighting applied to tenders was 40% quality and 60% price for the citizen services and asset and city management services and 60% quality and 40% price for the Housing services.

Before making recommendations to the Contracts working party the following checks were conducted by Tribal LG Consultants

- Mathematical checks to ensure marks for price had been awarded correctly
- Review of scores awarded for quality to ensure marks had been awarded correctly

12. Final selection of tenders

On 13th November 2009 the contracts working party was advised of the detailed assessments and a tender evaluation report was prepared for each contract setting out

Appendix A

details of the process that had been followed, bids submitted and the evaluation of those bids as well as the outcome of the evaluation and a recommendation to award the contract. At their meeting the Contracts working party endorsed the recommendations of officers and passed this on to the Executive.

Extract from the minutes of Executive on 13 November 2009

3. Evaluation of tenders for services currently provided by CityCare (paragraph 3)

The Head of Procurement and Service Improvement circulated tender evaluation papers. He presented the report and together with the facilities and Building Manager and the Housing Property Services Manager, answered questions.

Detailed discussions ensued as to the way the individual contracts had been assessed and awarded and the implementation process.

The Executive thanked the officers, the consultants Tribal Government Services, the Contracts Working Party for the enormous amount of work undertaken and the Norwich leaseholders Association and the Norwich Tenants' CityWide Board for their involvement.

Resolved to –

(1) note the process and the results of the tender evaluation

(2) approve the intention to award the contracts as set out in the report

Given the scale of savings in the housing contracts the Connaught business model was rigorously tested to assess its deliverability. The business model was assessed as deliverable and relied on substantial changes to working practices, in particular the introduction of new ICT systems to accurately diagnose repairs problems and arrange timely appointments, organise work more effectively, anticipate supply needs and skills requirements. It also showed that the company would make investment in the contract in the early stages before moving into profit as productivity increased and the new ways of working took effect.

13. Post selection changes

Following the notification to award the contracts to the selected contractors a number of contractors declined their offer as they had sought to obtain a significant number of contracts to obtain a spread of overhead costs, and so second or third place contractors were approached, where appropriate, to offer them the opportunity to take on contracts. The final outcome of this was reported to the Executive on 10th February 2010. Extract from the minutes of Executive 10th February 2010:

11. AWARD OF CONTRACTS TENDERS FOR SERVICES PROVIDED BY CITYCARE (PARAGRAPH 3)

The Executive noted the Unison comments circulated and those presented by the Unison representative.

Appendix A

The Head of Procurement and Service Improvement circulated an additional paper with amendments to the report. He presented the report and together with the Deputy Chief Executive answered members' questions.

The Executive praised the work of the Procurement and Service Improvement team.

RESOLVED to approve:-

(1) *the award of the contracts as follows:*

<i>1. Contract</i>	<i>2. Supplier</i>
<i>Lot 1 – Routine Building Maintenance (Non-housing buildings)</i>	<i>3. NORSE Commercial Services Limited</i>
<i>Lot 3 – Multi-Storey Car Park Cleaning</i>	<i>4. NORSE Commercial Services Limited</i>
<i>Lot 4 – Street and Other Cleaning Services</i>	<i>5. Connaught Partnerships Limited</i>
<i>Lot 5 – Grounds Maintenance Services</i>	<i>6. Connaught Partnerships Limited</i>
<i>Lot 6 – Arboriculture Services</i>	<i>7. Connaught Partnerships Limited</i>
<i>Lot 7 – Refuse, Recycling and Waste Services</i>	<i>8. Connaught Partnerships Limited</i>
<i>Lot 8 – Housing Repairs, Maintenance and Improvements</i>	<i>9. Connaught Partnerships Limited</i>
<i>Lot 9 – Gas Appliance Maintenance and Repair</i>	<i>10. Connaught Partnerships Limited</i>
<i>Lot 11 – Asbestos Management</i>	<i>11. Connaught Partnerships Limited</i>

- (2) *not awarding a contract for Lot 10 – Water Service Testing and that these services be tendered again and award be made by officers under the existing powers in the scheme of delegation;*
- (3) *the award of the refuse contract Lot 7 based on the standard service and note that the option to take up the maximum landfill diversion option requires council to approve the additional budget and will require a separate value for money assessment and Executive approval at a later date;*
- (4) *the proposal for call handling by the contractor for housing and citizen*

services contracts;

- (5) *the delegation of power to award Lot 13 contract for electrical and mechanical services to the Director of Regeneration and Development in consultation with the Executive Member for Housing and Adult Services.*

The financial position was:

An overall saving to the General Fund Revenue budget of £1M

A 30% reduction in the cost of the housing repairs and maintenance contracts.

Also a number of checks were carried out to give assurance that the contractors could deliver the services they had been awarded, specifically:

- Financial checks on the contractors at prequalification and pre award stage by Tribal LG Consultants and Dunn Bradstreet.
- A detailed testing of the pricing of the Connaught Housing contracts and the business model to be adopted to deliver the level of savings the given the level of savings the council, tenants and leaseholders would achieve.

14. Demobilisation/mobilisation

Once the new contractors had been identified, plans to mobilise the new contracts were initiated. Alongside this, plans to demobilise CityCare were already underway as the parent companies to CityCare had already made it clear that CityCare would not continue in its current form. These plans were significant and complex, and involved mobilising/demobilising:

- Depot provision
- ICT systems
- Information transfer
- Finances
- Transfer of employees under TUPE
- Plant and equipment
- Supply chain

Our understanding is that as contracts are won and lost between contractors, there is a recognised way of handling the demobilisation and mobilisation process. It is expected that there will be agreement to release staff early for training, opportunities to purchase relevant equipment and a handover of work schedules and staffing lists. This was not evident in the Citycare/Connaught mobilisation process and hampered the transfer as a result.

15. High Court challenge

Appendix A

In January 2010 Morrisons indicated they had concerns about the process used to relet the contracts and the pricing of the housing contracts. In order to get additional assurance on the process used to assess the contractors bids the council commissioned an independent review and reassessment of the marking of the Connaught and Morrisons bids. This showed that the bids had been marked correctly and in accordance with the council's published tender evaluation criteria.

The High Court awarded an injunction to Morrisons on 23rd February 2010 that prevented the award of a contract to Connaught for Housing repairs, maintenance and improvements (Lot 8). The council was then left with the need to provide services to tenants and leaseholders in the short term, and so sought to provide services through an emergency contract, as is permitted under the European Contracts Regulations. As Connaught were already mobilising their depot and other support, eg ICT, supply chains, management capacity, Connaught was the organisation most able to mobilise an emergency contract. They agreed acceptable terms for an emergency contract but the delay in the award of a final contract hampered some of Connaught's investment plans.

When Morrisons withdrew their injunction the council was then able to complete the award of the contract to Connaught and fully mobilise the contract. However, the mobilisation of the housing contracts was delayed due to the injunction and the award of the emergency contract.

16. Mobilising the Connaught contracts

Given the scale of the transfer of contracts and employees and the delay in finalising a range of issues due to the injunction the council agreed it was reasonable that Connaught should have a 3 month period in which to 'gear up' the service delivery. During this period officers and members had regular meetings with Connaught to oversee the mobilisation of the services and to monitor and review service provision.

17. Connaught finances

During the early months of the Connaught contracts there was some fluctuation in their share prices and in June 2010 it moved between £3 and £3.50.

The first indication the council had of significant issues within Connaught was on 24th June 2010 when the company issued a profit warning to the city. Senior managers from Connaught met with council officers to explain the reasons for this and the steps that Connaught would be taking to deal with the situation.

Connaught appointed a new chairman and board of directors, and managed to secure loans of £15 million through to 31st August to support the business. During the next few weeks their share prices fell to around £1, and then to less than 20p. The financial year end for Connaught was also 31st August, so this was a key date for the company to assess its long term viability. During this period the council closely monitored the financial health of the company and continued to meet with senior managers from Connaught to discuss the actions they were taking to stabilise the financial position of the company, and to improve service delivery. It became clear that a loss of confidence was leading to supplier demands for earlier payments and cash flow problems.

Appendix A

Given the financial position of the company the business continuity plan for the services provided by Connaught was reviewed. The business continuity plan included a hierarchy of service provision options as follows:

- Novation of all contracts to a new supplier
- Novation to individual suppliers
- A network of emergency suppliers

18. Connaught goes into administration

The first indication that Connaught was going into administration was an announcement on the 'Today programme' on radio 4 on 7th September 2010 that Connaught share trading had ceased and that it was expected that an administrator would be appointed soon. The collapse was described as the biggest company collapse since Woolworths. Following that, the council attempted to track down the administrators for the company. The council finally made contact with the administrator, KPMG, late on Wednesday 8th September and confirmed the position that Connaught plc and Connaught Partnerships were going into administration, and that Connaught Environmental and Connaught Compliance would continue to operate. Advice was obtained about what happens when a company goes into administration and this helped us prepare our approach. Legal advice was also obtained.

19. Business continuity and novation of contracts

On 7th September the council moved into emergency planning procedures and started to implement its business continuity plan for the services provided under the Connaught contract, which were:

- Refuse, recycling and waste services
- Street and other cleansing
- Grounds maintenance services
- Arboriculture services
- Housing Repairs Maintenance and Improvements
- Gas Servicing
- Asbestos Surveying
- Electrical and Mechanical

The risks to tenants and residents in the event of service disruption had already been assessed, and the two areas assessed as highest risk had been identified as emergency repairs and gas servicing. Alternative options for these had already been identified as part of the business continuity plan, and these were now activated. There was also a risk to the refuse collection service but this was mitigated by reaching agreement with the administrator that if necessary, the Council could pay the sub contractor directly.

On 9th September there were discussions with the administrator regarding the novation of the contracts. The administrator had been in discussion with companies to assess the possibility of a company/companies buying the right to novate the Connaught contracts to them, that is transferring the contract on the same conditions. The administrator informed the council that although there were discussions underway to novate a number

Appendix A

of the Connaught contracts to other contractors, this did not include the city council contracts.

On 9th September the administrator stopped all overtime payments which meant that the out of hours emergency repairs service stopped. The council had already established an emergency contract to provide an emergency repairs service with Lovells, and this started on 9th September 2010. The council also secured an emergency contract with Ward and Rooney for gas servicing, which started on 10 September 2010.

Arrangements were also put in place so that the telephone calls that were received by customer contact were carefully logged to ensure that no vulnerable tenants slipped through the net and that we were aware of volume and nature of housing repairs calls.

As the administrator wanted to act swiftly to stop any further costs being incurred by Connaught he said their intention was to make the Connaught employees redundant on Friday 10th September.

The council was uncomfortable about the speed at which this was planned to happen and wanted to exhaust every available possible opportunity to save jobs and services. The Council agreed with the administrator to pay the wages of the employees through to Monday 13th September to allow time to explore all options over the weekend.

The council knew that Connaught Environmental was continuing to trade and so discussed with the administrator the possibility of novating the environmental contracts, that is: refuse collection and recycling; grounds maintenance; street cleansing; and arboriculture services to Connaught Environmental. Agreement was reached on this and arrangements to complete this novation were put in place over the weekend of 11th and 12th September. This meant that these services and the employees were transferred to Connaught Environmental Services, and there was no disruption to these services.

Over the weekend of 11th and 12th September options for business continuity were thoroughly explored and, as the administrator had received no offers to novate the housing repairs, maintenance and improvements, gas servicing, electrical and mechanical testing the conclusion was that the administrator would have to make the employees redundant on Monday 13th September, and that the full service provision would temporarily cease and alternative service provision through emergency contracts was secured.

During Monday 13th September the council spoke to Select, the preferred supplier for agency staff, to notify them we would need additional staff to handle calls that would be transferred from Connaught, and to ask them to give first consideration to ex Connaught employees. During Monday 13th September the council also contacted JobCentre plus to discuss what kind of support would be available to redundant Connaught employees and to ask that they be the point for ex Connaught employees and any contractors to notify and be notified of any employment opportunities. An advice and support day for redundant employees was also arranged, to be held on 22nd September. Contractors providing services under emergency contracts had also been asked to approach JobCentre plus and give first consideration to ex Connaught employees.

On Monday 13th September the administrator met with Connaught employees to inform them they were redundant. Just before this announcement the council switched the telephone calls that Connaught was handling back to the council main enquiry number to

Appendix A

provide service continuity to tenants and leaseholders.

On 14th September the council met with trades union and employee representatives, at their request, following them marching to city hall from old hall road, and explained the situation.

On 14th September all housing tenants were sent a letter setting out the situation and the emergency arrangements in place.

On 21st September all tenants with part completed work on bathrooms or kitchens were contacted to inform them that Lovell would be contacting them to make arrangements to complete the work to their home, and a similar letter was sent to tenants with part completed work to windows on 23rd September.

As at 20th September 2010 the position was as follows:

- Refuse, recycling and waste services – novated to Connaught Environmental and employees transferred
- Grounds maintenance services - novated to Connaught Environmental and employees transferred
- Streets and other cleansing - novated to Connaught Environmental and employees transferred
- Arboricultural services - novated to Connaught Environmental and employees transferred
- Emergency housing repairs – emergency contract with Lovells
- Gas servicing – emergency contract with Ward and Rooney
- Part completed bathrooms and kitchens – emergency contract with Lovells to complete
- Part completed window replacement – emergency contract with Ashfords to complete
- Housing voids – emergency contract with Lovells

The council is in discussion with the administrator and a contractor known as 'company B' regarding the possible novation of the housing repairs, maintenance and improvements contract. It is also in discussions about the possible novation of the specialist electrical and mechanical contract to Connaught compliance.

The Council is planning to relet the gas servicing and asbestos testing contracts.

The council is also starting to assess the options for longer term future for the delivery of these services.

In conclusion, in the short term, the Council has two options for the housing repairs and maintenance contracts:

Option 1

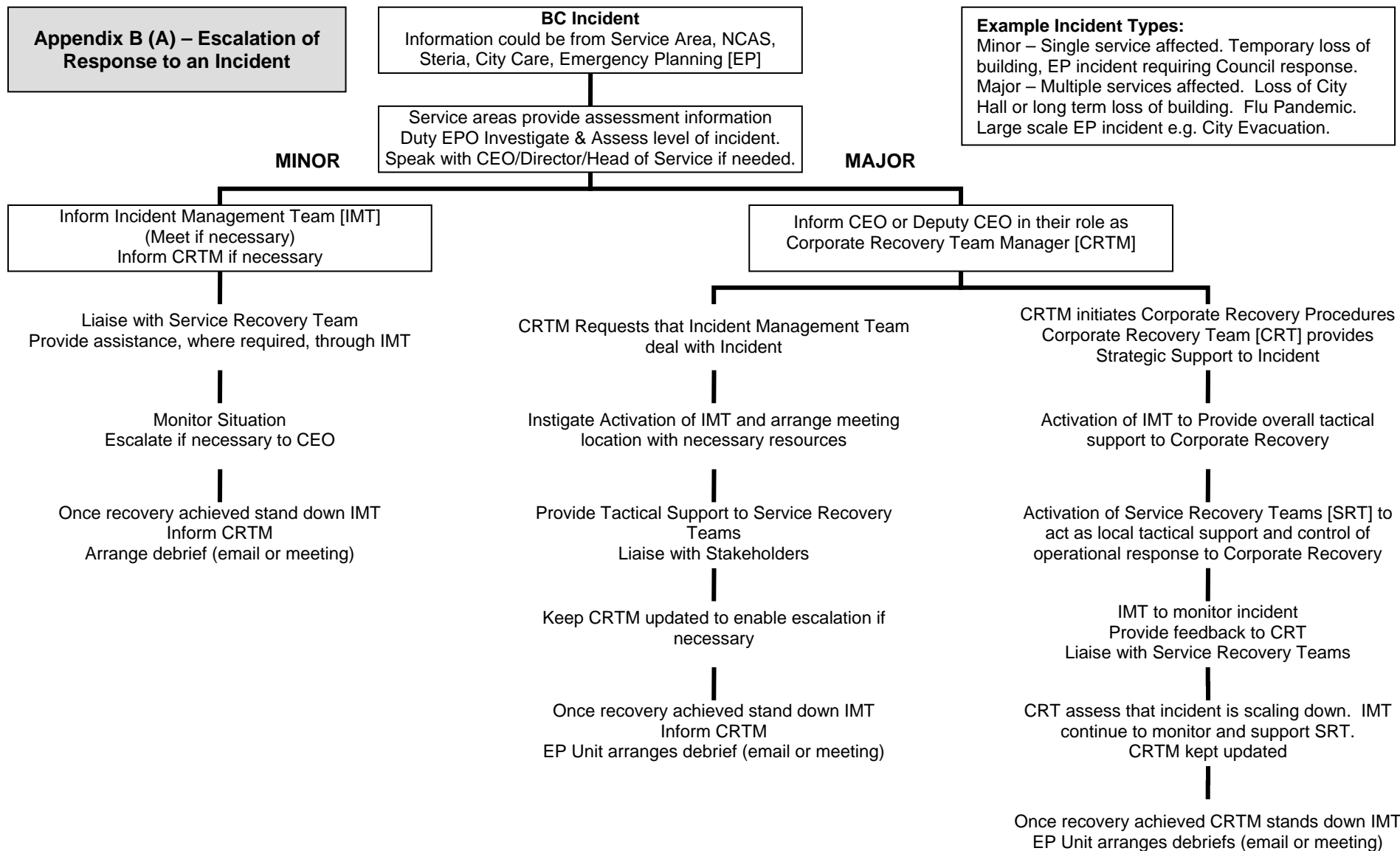
Novating the housing repairs contract to Company B on the same terms and conditions as the existing contract for the remaining life of the contract and if that proves to be unsuccessful,

Option 2

The council would proceed to let the contract on an interim basis for up to 12 months followed by a full contract relet.

An appraisal of these two options is due to be discussed at an emergency contracts working party to be held on Thursday 24th September. Their recommendations will be considered by an emergency executive meeting following this.

The results of these meetings will be reported to full council. Council will recognise the confidential nature of the working party and executive discussions.



CL1- Immediate Action Plan – Checklist

The following list is to give guidance of the type of actions that may need to be considered and taken – not all actions are required for every incident.

IMPORTANT: In all incidents an Incident / Action Log must be kept and retained in case of legal enquiry / investigation as well as helping to inform any debrief and change in planning.

Action	Check
➤ Start a Log of actions taken (see <i>Logs & Checklists</i>)	
➤ Liaise with Key Partners, if appropriate:	
➤ Identify any damage:	
➤ Identify Critical Activities disrupted that require restoration (see <i>Logs & Checklists</i>)	
➤ Identify ICT Systems disrupted that require restoration (see <i>Logs & Checklists</i>)	
➤ Convene Corporate Recovery / Incident Management Team	
➤ Decide upon continuity strategy / course of action	
➤ Liaise with Service Continuity Teams	
➤ Communicate decisions / actions to relevant staff and partner agencies	
➤ Provide information on situation to appropriate staff	
➤ Staff Welfare – Especial consideration to vulnerable staff and those with care responsibilities	
➤ Provide information to public, if applicable, in order to maintain public confidence and reassurance	
➤ Liaise with Insurance Companies and Assessors	
➤ Ensure Elected Members are kept updated and involved	