

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Cabinet Member for Housing, Councillor Lisa Homan

**Date:** 23/05/2021

**Subject:** Contract Award Report: Stock Condition Survey (HRA)

**Report of:** David McNulty, Assistant Director, The Economy

**Report Author:** John Newton, Client and Commissioning Officer, The Economy

**Responsible Director:** Tony Clements, Strategic Director for the Economy

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### SUMMARY

On the 28<sup>th</sup> January 2021 the Cabinet Member for Housing approved a Procurement Strategy to conduct a 100% survey of the Council's Housing Revenue Account (HRA) residential asset stock (housing stock condition survey), to take place during the 2021-23 period. Its completion is integral to the Asset Management Compliance Strategy and Capital Programme that Cabinet approved on 1<sup>st</sup> July 2019.

In accordance with that strategy a mini competition between pre-vetted and qualified specialist surveying suppliers appointed to the Fusion 21's Consultancy Services, *Lot 2 Stock Monitoring and Appraisal*, framework, was conducted.

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### RECOMMENDATIONS

1. To note that Appendix 1 of this report is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
  2. To approve the award of the Stock Condition Survey (HRA) contract to Ridge and Partners LLP for a two-year term, with the option at the Council's discretion to renew for two further terms of up to three months each, to commence on the 28<sup>th</sup> June 2021 or as soon as possible thereafter.
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**Wards Affected:** All

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Building shared prosperity	The successful contractor demonstrated its capacity and the steps it will take to ensure accurate data capture of the Housing Revenue Account (HRA) asset stock consistent with the Council allocating its HRA resources more cost effectively and efficiently over the medium-to long-term.
Creating a compassionate council	<p>The housing stock condition survey programme is driven by the paramount aim to protect the health and safety of LBHF residents.</p> <p>The successful contractor will carry out a dedicated Housing Health and Safety Rating System Survey (HHSRS) of each HRA residential dwelling. Any identified category 1 hazard will be reported and actioned with minimum delay.</p>
Doing things with local residents, not to them	<p>Officers carried out a pilot scheme to ensure that the programme was designed with resident input.</p> <p>The successful tenderer demonstrated its ability and capacity to ensure effective and responsive resident engagement both prior and during surveys to maximise access and customer satisfaction.</p> <p>The Asset Management team will actively liaise with residents to monitor the progress of the survey and contractor performance.</p>
Being ruthlessly financially efficient	The successful tenderer provided both the best overall quality submission and best competitive price, which was substantially below the pre-tender estimate and therefore demonstrates best value achieved through the tendering process.
Taking pride in H&F	Delivery of the survey should help to make Hammersmith & Fulham a leading Local Authority for capturing asset stock data to provide evidence-led underpinning of future effective and efficient capital programme planning

	and delivery.
Rising to the challenge of the climate and ecological emergency	<p>Delivery of the survey is crucial to the design and delivery of future improvement and maintenance programmes that delivery of the Council's <i>Climate and Ecological Emergency Strategy</i> requires.</p> <p>A case in point example is the comprehensive collation and analysis of data pertaining to the characteristic and age of heating appliances that will then provide the evidential base for a future replacement and maintenance programme compatible with making the Council's housing net zero in carbon emissions.</p>

## Financial Impact

### Costs

The pricing table in exempt Appendix 1 confirms that the expected total cost of this contract is substantially below the approved budget. The contract is for a two-year term and contains no contractual uplift or planned variations. The rates per survey provided are fixed and therefore only a change in volumes (property numbers) could affect the cost.

There are no mobilisation costs for the council associated with this procurement. Any costs related to the provision of access to properties will be funded from existing budgets.

The unit rates tendered are well below the framework rates, which is the closest approximation to a benchmark for this project.

### Funding

Cabinet approved the Housing Revenue Account (HRA) 2021/22 Budget and Rent Increase report on 1<sup>st</sup> February 2021. This included a request for an annual HRA budget allocation to provide for the costs of a stock condition survey. It is intended to maintain this budget for a two- year period.

Recommendation 2 refers to an option to renew the contract for two further terms of up to three months each. This would only be required if there was slippage on the project and no additional costs would be incurred. If this option is required, it will be necessary to ensure that any slippage of budget is approved in line with the financial regulations and appropriate governance.

Section 29 explains that a proportion of expenditure is expected to be recharged to leaseholders (less than £100) through the day-to-day service charge account. This recharge will be based on the cost of surveying the common areas and structure (including the entrance doors and windows) and running an HHSRS assessment

against the same. It is estimated that up to £134,000 may be recoverable from leaseholders over the two-year term of the contract.

### Risks

The successful contractor will carry out a dedicated Housing Health and Safety Rating System Survey (HHSRS) of each HRA residential dwelling. Any identified category 1 hazard will be reported and actioned with minimum delay. This has the potential to create additional demand from remedial works for the repairs service in the short term and there may be further revenue and capital cost implications as a result.

Sections 13-15 explain that comprehensive and detailed post-tender clarifications were carried out in order to validate the robustness of the pricing information submitted by tenderers.

Sections 22-25 confirm that robust controls are in place to ensure that payment is only made once officers are satisfied that each survey has met the required specification.

It is possible that due to restrictions on accessibility to buildings due to Coronavirus, costs may be deferred to later years and this may result in additional cost pressures.

### Contractor financial status

A Creditsafe report was requested for the successful contractor and this indicates a very low risk credit rating of 93. The suggested contract limit of £15.5m and turnover of £62.9m is more than sufficient for the value of the proposed contract.

### **Legal Implications**

This report recommends that a contract is awarded to *Ridge and Partners LLP* for the delivery of a survey of 100% of the Council's HRA dwelling stock for an initial period of 2 years (with the option at the Council's discretion to renew the contract for two further terms of three months each) for the maximum contract value as set out in Appendix 1. The total value of the contract exceeds the threshold specified in the Public Contracts Regulations 2015 (as amended) (the "PCR") for services contracts, which is currently £189,330. Therefore, the PCR applies in full.

The PCR requires the contract to be procured by either a new procurement competition or the use of a framework agreement. This is also the requirement under the Council's CSOs for this high value contract (CSO 19.1). In accordance with the procurement strategy a mini-competition of the Fusion 21 Consultancy Framework, Lot 2: Stock Monitoring and Appraisal was used. Details of the procurement process followed is set out in this report.

The mini-competition documentation included award criteria which were applied to assess those tenderers on the framework who tendered for the contract. The evaluation criteria were applied to determine the most economically advantageous

tenderer. It is recommended that the Contract is awarded to the highest scoring tenderer in accordance with the mini-competition documentation.

The decision maker needs be satisfied that the recommended award of contract is to the tenderer submitting the most economically advantageous tender on the basis of the award criteria set out in the Council's mini-competition documentation. This will secure compliance with the PCR requirements and the Council's Contract Standing Orders.

A contract award notice must be published on the UK's Find a Tender service website within 30 days of award of the contract and Contracts Finder 24 hours thereafter.

The Council's Legal Service will assist with preparing a formal contract. The mini-competition documentation was issued with a draft contract and will be entered into on those terms.

As the value of the call-contract is above £300,000, the call-off contract award is a Key decision and has been submitted to Committee Services for publication on the Council's website. In addition, a copy of the completed (dated) call-off contract must be uploaded to the Council's Contracts Register along with a copy of the award report.

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*[Implications](#) completed by Harry Forsythe, Solicitor (New Zealand Qualified), Sharpe Pritchard LLP [hforsythe@sharpepritchard.co.uk](mailto:hforsythe@sharpepritchard.co.uk), on secondment to the Council*

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#### **Background Papers Used in Preparing This Report**

<b>Sr.</b>	<b>Description of Background Papers</b>	<b>Date</b>
1.	Asset Management Compliance Strategy and Capital Programme - <i>published</i>	1 July 2019

## Proposals and Analysis of Options

- 1 Following the approval of the procurement strategy (PS) by the Cabinet Member for Housing on 26<sup>th</sup> January, officers initiated and implemented the process to conduct a mini competition on the Fusion 21 Consultancy Services, *Lot 2 Stock Monitoring and Appraisal*, framework. This was tendered in accordance with the the-then-prevailing EU rules, and the Public Contract Regulations 2015 which still apply to this procurement.
- 2 The Council is a permissible body under the rules of this framework (as advertised in the applicable OJEU notice (2017/S 083-160976) and under its framework lot agreement was able to conduct a further mini competition among the firms appointed to Lot 2.
- 3 Comprehensive Invitation-To-Tender documentation was collated and issued on the 19<sup>th</sup> February 2021 on the CapitalESourcing portal, including a detailed specification and consultancy contract. In accordance with the PS, a first-tier evaluation weighting of 50% quality and 50% price was set.

Table 1 below sets out the second-tier quality evaluation weightings.

<b>Table 1 –Quality Evaluation Criteria</b>	
<b>Tier 2 Sub-criteria</b>	<b>Tier 2 Sub-criteria weighting</b>
Management Structure and Resources	10%
Planning, Programming and Resourcing of Works	20%
Quality Control	20%
Customer Care	15%
Health and Safety	15%
Social Value	20%
<b>Total</b>	<b>100%</b>

- 4 Tenderers were required to submit succinct and customised method statement responses across the technical areas of Management Structure and Resources, Planning Programming and Resourcing of Works, Quality Control, Customer Care and Health and Safety, as well as for Social Value.

- 5 They were also required to submit separate fully inclusive Price per Survey (PPS) unit prices for the delivery of:
- Core comprehensive stock condition surveys to Tenanted Properties including a HHSRS survey;
  - Housing Health and Safety Rating (HHSRS) survey, including front entrance and balcony doors (if applicable), to Other Tenure (mainly leasehold) Properties;
  - External comprehensive stock condition survey, including a HHSRS survey, of all HRA blocks;
  - Energy Performance Certificate (EPC) survey, Option One;
  - Individual floor plan survey, Option Two.
- 6 Four suppliers returned compliant tenders on 19<sup>th</sup> March 2021, which were opened virtually with the Corporate Head of Procurement in attendance.

## Evaluation

### *Qualitative/Technical Method Statement submissions*

7. The technical method statements were evaluated by a Technical Evaluation Panel of three specialist officers. This element accounted for 40% of the total evaluation score. Moderation sessions were held on the 19th and 20th April to agree a single score for each tenderer for each method statement. These moderated scores were then inputted into the CapitalESourcing Portal (the Portal).

### *Social Value (SV) quantitative questionnaire and qualitative method statement*

8. This element accounted for 10% of the total evaluation score, comprising two equal 50% tier-three sub-weightings, each accounting for 5% of the total score.
9. The final SV Quantitative and Qualitative scores subsequent to confirmation clarifications were then inputted into the Portal.
- 10 The overall weighted quality score including for SV was then calculated by the Portal. This is reported in Column A of Table 3.

### *Pricing*

- 11 Tenderers were required to submit within the Portal Commercial Envelope a fixed PPS price for each of five categories. These are as set out with the attached with pricing sub-weighting evaluation criteria in Table Two below, as advised to the tenderers.

## **Table 2: Coverage and weighting of Pricing sub-criteria applied:**

Type of Survey, according to pricing category defined in Commercial Envelope	Anticipated number (expected, not guaranteed) provided in clarification	Coverage	Evaluation weighting of each pricing category defined in the Commercial Envelope
Core Survey - Tenanted Properties, whether houses, maisonettes, or flats	<b>12,207</b>	PPs for Full Stock Condition Survey + Housing Health and Safety Rating Survey (HHSRS) of tenanted properties	50%
HHSRS Survey (of other tenures, mainly leasehold)	<b>4,659</b>	PPs for HHSRS survey only, including front entrance and balcony doors (if applicable), of <u>other non-tenanted (mainly leasehold) tenures</u> . This is not an add-on cost to the Core Survey Price (HHSRS must be included within your Core Survey PPS for tenanted and for your PPS for external block surveys), but a stand-alone PPS.	5%
External (and Communal) Block Survey, including 35 halls	<b>1,877</b>	PPS for Full Stock Condition Survey + HHSRS	15%
Option One, additional Energy Performance Certificate (EPC) Survey (Additional EPC Price)	<b>7,706</b>	Add-on PPS for additional EPC survey	25%
Option Two, additional Floor Plan Surveys (Additional Floor Plan Price)	<b>3,674</b>	Add-on PPS for additional Floor Plan Survey	5%

- 12 Some of the tenderers added cavils in their original Commercial Envelope pricing response that suggested some lack of consistency in their assumptions they had applied across their pricing submissions. Consequently, comprehensive and detailed post-tender clarifications were issued to confirm precisely the Council requirements, including that each PPS submitted was fixed and inclusive, was stand-alone not cumulative, and the coverage of each pricing category was as *Table 1* above sets out.
- 13 The tenderers in response submitted a revised pricing schedule in conformity with above. This in general confirmed their existing pricing, but where a category PPS was modified, that change was then reflected in the Commercial Envelope pricing moderation.
- 14 The PPS pricing responses were then weighted by the Portal in accordance with the pricing sub-weightings advised above in *Table 2*. This was then translated into a total mark out of 100 (total pricing score), which was then scaled down by 0.5 in accordance with the 50% first-tier pricing weighting as reported in Column B of *Table 3*.



- 15 Following moderation, the weighted pricing and qualitative scores for each Tenderer was combined, providing an overall percentage score out of 100, which were then ranked as summarised below in Columns B and C of Table 3 below.

**Table 3: Summary Scores**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
<b>Tenderer</b>	<b>Quality % Max: 50%</b>	<b>Price % Max 50%</b>	<b>Total Max 100%</b>	<b>Ranking</b>
<b>Ridge and Partners LLP</b>	39.00	41.83	<b>80.83</b>	<b>1</b>
<b>Bidder B</b>	35.44	38.58	<b>74.02</b>	<b>2</b>
<b>Bidder C</b>	31.81	40.22	<b>72.03</b>	<b>3</b>
<b>Bidder D</b>	30.76	22.96	<b>53.72</b>	<b>4</b>

Further detail is provided in Section 1 *Exempt Appendix One*.

Value-for-money and risk management

- 16 Separate PPS scores were sought and obtained across five categories due to their differing requirements, and because at PS and tender issue stage it was not known whether the affordability envelope would allow Option One EPC and Option Two Individual Floor Plans to proceed.
- 17 The pricing table in *Exempt Appendix One* confirms that the expected final total cost of contract – assuming no uplifts or variations – based on the successful tenderer PPS’s and the expected required survey volume, is within the allocated budget.
- 18 The PPS’s of the successful tenderer are fixed and inclusive – as confirmed in clarification – and the successful tenderer has understood and acknowledged that in accordance with Clause 11 of Volume 2, Specification, each survey must be completed in the required format, provided to and validated by LBHF, which must then uploaded onto Tech Forge, before any application for payment for a survey can be made.
- 19 Each payment application must therefore evidence both client validation and Tech Forge uploading. No payment will be made by LBHF for no access, incomplete, or cloned surveys, or where not uploaded to Tech Forge. Payment risk in terms of securing access thus will vest with the contractor.
- 20 The contractor is responsible for paying the Social Value Portal Management Fee for the term of the Contract.

## Next steps

21. All bidders will receive written confirmation of the Council's decisions to award the contracts. These letters are prepared in line with the Public Contracts Regulations 2015 and will provide reasons for the decision together with the characteristics and relative advantages of the successful Tenderer.
22. After the letters have been issued via the Portal, a standstill period of 10 calendar days must be observed by the Council in accordance with the Regulations. No activity to engage with successful bidders or to advance progress with the process may be carried out during this time. After the conclusion of the standstill period, a Privacy Impact Assessment will be carried out with the successful contractor.
23. There is no statutory obligation to consult with leaseholders because the proposed contract is not expected to trigger the annual £100 threshold for individual contributions towards a service by leaseholders, although a proportion of expenditure will be recharged to leaseholders through the day-to-day service charge account. This recharge will be based on the cost of surveying the common areas and structure (including the entrance doors and windows) and running a HHSRS assessment against the same.
24. Draft contracts were issued at the start of the procurement process in February 2021 and these will be engrossed prior to being executed as a deed. It is anticipated that this process should not be prolonged and will proceed as timetabled below insofar that the successful tenderer signed up to the draft contract included in the tender documents.
25. Mobilisation of the new contractor will commence after the statutory standstill period following contract award has finished – expected to be in early June 2021. There is no TUPE transfer so mobilisation should only require pre-planning and programming of the two-year survey process.
26. *Table 4* summarises the expected timeline:

<b>Table 4- SCS Next Steps Timetable</b>	
<b>Activity</b>	<b>Milestone</b>
CAB	19 <sup>th</sup> May 2021
Cabinet member for Housing approval subsequent to Call-in period	26 <sup>th</sup> May 2021
Standstill period	27 <sup>th</sup> May to 7 <sup>th</sup> June 2021
Notification of Contract Award	8th June 2021
Preparation of Legal Contract	8th June
Mobilisation	10 <sup>th</sup> June to 27 <sup>th</sup> June 2021
Target Commencement Date of Contract	28 <sup>th</sup> June 2021

## Reasons for Decision

- 27 The Stock Condition Survey will provide a necessary baseline for the future allocation of future investment resources across the Council's HRA asset stock and for future asset management and financial planning. Its completion is thus integral to the future effective and efficient planning and delivery of future capital and maintenance programmes. It will generate crucial data to underpin the Council's *Climate and Ecological Emergency Strategy*.
- 28 The recommendations outlined are based on a process in line with the Public Contracts Regulations 2015. The tenders received were evaluated by the Council's evaluation team against published evaluation criteria. The Contractor recommended for appointment was identified in accordance with criteria as the most economically advantageous tenderer. The fixed and inclusive PPS it tendered should result in a final contract well within the affordability envelope set at PS stage.
- 29 Ridge made the highest value social value quantitative value commitment. This was assessed by the Social Value Portal as 13.35% of the expected contract value advised by the bidder in their social value quantitative submission response. The successful bidder will be expected to maintain that percentage calibrated to the actual contract value, which will be a function of volume and their tendered rates.

## Risk Management Implications

- 30 A stock condition survey collects information about the state of individual properties for a defined purpose, to understand repair needs, health and safety issues and if a property remains fit for purpose. It is important to refresh this process periodically to take account of changes. The information is collectively used to report on the overall condition of the housing stock and reports on the repair and longer-term maintenance needs so the council can explore options to improve, prioritise, alter or fix if necessary. This will help inform the planning of repairs to keep homes at the highest possible standard for residents. A stock condition survey is part of a comprehensive strategy for future planned maintenance to maintain up to date information on stock condition. The contractor must ensure that they operate within HM Government, Industry and HSE guidance and regulations operating at the time including measures required to ensure a Covid safe survey takes place.

*Implications verified by Michael Sloniowski, Risk Manager, tel 020 8753 2587.*

## Digital Services Implications

- 31 IT Implications: the proposed data capture process between Ridge and the council's housing asset management system (TechForge) to enable the stock

condition survey needs to be reviewed by Digital services' Technical Design Authority (TDA) prior to its implementation.

IM Implications: the Data Privacy Impact Assessment (DPIA) needs to be kept up to date to reflect any changes to the data processing in TechForge/with Ridge.

- 32 The contract with Ridge will need to include H&F's data protection and processing schedule if this is not yet the case. This is compliant with Data Protection law (the General Data Protection Regulation (GDPR) 2016; and the Data Protection Act (DPA) 2018).
- 33 Ridge will be expected to have a Data Protection policy in place and all staff will be expected to have received Data Protection training.

*Implications completed by: Tina Akpogheneta, Interim Head of Strategy and Strategic Relationship Manager – 020 8753 5748.*

### **Equalities Implications**

- 34 The proposed 100% survey is designed to effectively and comprehensively identify residential dwellings within the Council's HRA that most require improvement and maintenance investment, and to separately identify occupied properties that suffer from hazards potentially injurious to health and safety of occupants to allow such hazards to be addressed with minimum delay.
- 35 This survey accordingly should help the efficient future targeting of LBHF resources towards its HRA tenants living in accommodation most needing improvement and those most at risk from property-related hazards. Both outcomes should have positive implications for groups with protected characteristics, under the Equality Act 2010, who tend to be over-represented in the worst living conditions.
- 36 The successful tenderer demonstrated how it will ensure maximum survey access and in particular for tenants with disabilities or who are otherwise vulnerable and for those whose mother tongue is not English.

### **Local Economy and Social Value Implications**

- 37 The contractor has committed to 13.35% social value commitments based on their estimate of contract value. This figure will be part of their contract calibrated to volume.
- 38 The Social Value Officer and Strategic Asset Management Lead will work with the contractor to ensure that they deliver commitments to a value consistent with their tendered percentage. The current offer includes:

- *Ridge will recruit 1 FTE for a minimum of 12 months. Ridge will be asked to achieve this commitment by working in partnership with the Council's in-house job brokerage team and Job Centre Plus.*
- *A total of 54 weeks of internships made available to LBHF residents at Ridges London Offices this will be paid at LLW*

Other commitments included engagement on sustainability Climate Emergency training and support of local community enterprises.

- 39 Commissioners will ensure that H&F's Social Value Officer will be invited to the mobilisation meetings to facilitate the delivery of Ridge's social value commitments. Contract managers will need to work with the councils Social Value Officer to ensure commitments are being effectively monitored and delivered. The final contract should contain appropriate social value clauses so that the Council can enforce its right to compensation if social value commitments are not delivered.

*Implications verified by Kamal Motalib, Head of Economic Development, tel:0777 335 3914.*

### **Climate and Ecological Emergency Implications**

- 40 This project will have a strong positive impact on the Climate Emergency. It should play an integral and crucial role in furthering the H&F's *Climate and Ecological Emergency Strategy* with particular reference to *Homes, Buildings and Energy*.
- 41 The completion of the survey will produce comprehensive and accurate data on core property elements, including space and heating appliances so providing an industry-leading evidence-based data base for their future replacement and maintenance, consistent with the future attainment of net zero carbon emissions from H&F's housing stock.
- 42 Key possible examples will include the future replacement of gas boilers by more renewable sources, such as heat pumps, the installation of energy efficient LED lighting, and improved insulation and reduced heat loss.
- 43 With respect to minimising to carbon emissions from project-related travel and consumption, including the:
- maximising the energy efficiency of any equipment to be used;
  - Timing and scheduling surveys efficiently to minimise travel, avoiding peak traffic times, using public transport where possible;
  - requesting vehicles used to be electric if possible, or low-emission;
  - efficient data management, such as saving and sharing files straight into a single cloud-based location, rather than sending attachments.
- 44 Although no formal commitments were made in the winning tenderer's bid concerning these matters, a commitment to partnership working was threaded

throughout their bid, enhancing practice across these areas will be progressed during mobilisation and throughout the project.

- 45 Success is most likely where commercial and environmental interest and objectives coincide , such as offering residents adaptable inspection slots direct with the surveyor, rather than pre-set ones, including out of hours inspections on weekdays and weekends by agreement with residents, to maximise access rates: an efficient survey is likely to be an energy efficient one: not efficient for surveyors to be snarled up in rush hour traffic, for example, missing appointments.

*Implications verified by Hinesh Mehta, Strategic Lead – Climate Emergency, Tel: 07960 470125*

**List of Appendices:**

Exempt Appendix 1: Evaluation Scores and Pricing Analysis