

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet

Date: 06/09/2021

Subject: Termination of contract for responsive repairs (housing) and appointment of new contractor

Report of: Councillor Lisa Homan, Cabinet Member for Housing

Report author: William Shanks, Head of Contract Governance (Economy)

Responsible Director: Emily Hill, Director of Finance

SUMMARY

This report seeks authority for the Council to give notice to one of the contractors for responsive repairs (housing) and to mobilise the reserve contract that is in place. It also makes recommendations for ensuring that the amount of Work In Progress (WIP) is minimised at the point the exiting contractor leaves, and that the additional cost to the Council is minimised.

This is an urgent Cabinet decision because it is imperative that the demobilisation of the exiting contractor, and the re-mobilisation of the reserve contractor, be completed before the winter months, when demand for responsive housing repairs typically increases significantly. Wet weather exposes problems with roofs and drainage. More repairs are called in and the issues are more urgent. It is important that the changes described in this report have been fully mobilised and embedded before the peak demand months, which tend to be December to February. The process of demobilisation and re-mobilisation is expected to take two months, as it involves a TUPE transfer of staff between the exiting contractor and the reserve contractor.

RECOMMENDATIONS

1. To note that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that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).

Cabinet is asked to:

2. Seek authority for an additional budget as set out in the exempt Appendix 1 for the remaining four years of the responsive repairs contracts (to 31st July 2025).
3. Authorise the termination of the contract for responsive repairs (housing) with United Living Property Services Limited (ULPS) on or before 29th October 2021 subject to the finalisation of approved terms between the parties, the

negotiation of which is delegated to the Director of Finance in consultation with the Assistant Director of Legal Services.

4. Authorise the activation of the reserve contract for lot 2 (central area) through formal written instruction to Morgan Sindall Property Services Limited subject to the termination of the United Living Property Services Limited contract. That the Director of Finance be delegated authority to undertake any negotiations to finalise terms in respect of this contract award.
5. Authorise a contract variation to the lot 1 (North area) contract to include an updated property list as the definition of the reserve contract properties.
6. Authorise a contract variation to the Responsive Capital contract with Kier Services Limited to add prices for responsive works to void (empty) properties as detailed in Appendix 1.
7. Authorise a contract variation to the Morgan Sindall lot 1 (North area) contract to add prices for the completion of a programme of Work In Progress to be transferred from ULPS, as detailed in Appendix 1.
8. That the Director of Finance, in consultation with the Assistant Director of Legal Services, be authorised to enter into agreements as necessary to bring the decisions in this report into effect.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The responsive housing repairs contracts are major vehicles for apprenticeships and local employment opportunities. It is crucial that LBHF has contractors who can deliver the Council's aspirations.
Creating a compassionate council	The recommendations are designed to drive improvement in the responsive housing repairs service to improve satisfaction and wellbeing outcomes for residents.
Doing things with local residents, not to them	A customer satisfaction system is in place and informs the view of contractor performance. A Residents' Voice event was held in July 2021 which provided further evidence of residents' views.
Being ruthlessly financially efficient	The recommendations are those that

	deliver the best possible financial deal for the Council. They are the product of the rigorous application of contractual rights and/ or a process of negotiation.
Taking pride in H&F	The recommendations are designed to drive improvement in the responsive housing repairs service to achieve a service that residents can be satisfied with.
Rising to the challenge of the climate and ecological emergency	The recommendations are designed to make the repairs contracts more sustainable, such that they can deliver the full level of environmental commitment that was tendered.

Financial Impact

See exempt Appendix 1, for exempt financial implications.

The termination of the ULPS contract and the use of the reserve contract results in an increased contract cost. The majority of the cost increase will be a revenue charge against the Housing Revenue Account although part of the estimated voids cost increase may be a charge against the HRA capital programme. This will need to be reviewed on a job by job basis.

Currently, the HRA is budgeting to draw down £7.187m from general balances in 2021/22, which will reduce the general balance to £10.696m. This cost increase will place further pressure on the current year HRA and will add to future HRA budget pressures. This will need to be addressed as part of the 2022/23 HRA budget planning and business planning process.

The report sets out that are financial risks regarding Work in Progress (WIP) jobs. These are currently around 1,500 works orders. If these are not completed by the end of the contract the cost of completing each work order by the reserve contractor will be higher. The financial value attached to this risk is estimated at £200k in a worst-case scenario where ULPS leave behind significant number of WIP jobs. This will be allowed for and reported within the current HRA budget monitoring as a risk.

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Background Papers Used in Preparing This Report - None

Proposals and Analysis of Options

1. The reserve contract for lot 2 (central area) is held by Morgan Sindall the contractor for lot 1 (North area). Activating the contract would mean that Morgan Sindall would deliver responsive repairs in lots 1 and 2. Morgan Sindall are also the borough-wide Gas contractor. There is evidence that they are committed to a long-term partnership with Hammersmith & Fulham, as they are the repairs contractor that has delivered the most Social Value in year one, doing the most to overcome the challenges of Covid and recruit apprentices and engage with local schools.
2. There are alternative options to activating the lot 2 reserve contract with Morgan Sindall:
 - Carry out a full 'Find A Tender' (formerly OJEU) procurement. This would take a minimum of 6 months and then 2 to 3 months of mobilisation. It would mean that ULPS would have to continue into the winter months. The risks to resident satisfaction and wellbeing would be significant.
 - Procure a contractor from a framework. This would be a quicker process (perhaps only 2 months of procurement) but would still require 2 to 3 months of mobilisation. The issue with framework procurement is that the contractor is not signing up to the Council's full requirements and model. The Council's IT requirements alone are significant and would mean there would be intense pressure on the contractor to rapidly adapt to our requirements during mobilisation. The risk of ongoing misunderstandings and disputes would be high.
 - Mobilise the in-house Direct Labour Organisation (DLO) to take on lot 2. This option would require a much longer lead in period because the DLO is not equipped to carry out responsive repairs. It is configured to carry out communal repairs on a planned basis – shifting to responsive repairs would require a major staff restructure and a major reconfiguration of supply chains and processes. The construction/maintenance sector is facing significant challenges around the cost of labour and materials and the DLO would be entering a very competitive environment and might struggle to recruit staff and source supplies. This option is also likely to much more

expensive in terms of staff costs and the lack of economies of scale/purchasing power.

3. For the reasons above, the recommended option is to activate the Morgan Sindall lot 2 reserve contract as Morgan Sindall present the best value route to a high performing service.
4. Additional benefits include the scope to increasingly treat lot 1 and 2 as a single contract. This would make contract management simpler and enable the Repairs Client Team to client in a 'smarter' way – analysing data and dedicating more time to specific issues. There may also be scope to use future Annual Reviews to negotiate savings across the two Morgan Sindall repairs contracts. The expectation is that Morgan Sindall can mobilise well and quickly with an infrastructure already in place, deliver a high performing service, realise economies of scale, manage demand better, and deliver future savings.
5. It is also recommended that Morgan Sindall be asked to sign a contract variation to correct an error in the lot 1 contract. The reserve contract clauses state that the lot 2 properties will be added to Morgan Sindall's area of responsibility. However, the list of 'lot 2' properties attached to the contract are incorrect and the correct lot 2 property list will be substituted for the erroneous list.

Reasons for Decision

6. To effect rapid and sustainable improvement in the responsive housing repairs service to deliver the service that residents expect. To make the changes before the onset of winter, when demand for repairs typically increases significantly as wet weather exposes problems with roofs and drainage.
7. To control the costs of the service through commercially astute application of contracts and negotiated agreements with contractors.

Equality Implications

8. Equalities Impact Assessment:

Age	<p>Social housing tenants in Hammersmith & Fulham tend to be older than the wider borough population. Older residents are at higher risk of adverse outcomes when they are living in properties in a state of disrepair. This strategy has the potential to improve outcomes for this cohort by returning properties to standard quicker through a better repairs service.</p> <p>Older residents may be adversely affected by any disruption caused by demobilising one contract and mobilising the replacement contract – missed appointments, delays in completing works and poor quality works are all risks.</p> <p>The Repairs Client Team and Customer Services Centre will take steps to identify and prioritise works where there are vulnerable</p>
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	<p>residents and liaise with the contractors to ensure that risks are mitigated. 30% of works completed by the outgoing contractor will be post inspected to detect inadequate workmanship and ensure speedy resolution. The outgoing contractor's supervisory team must evidence that they had a phone call with every resident once a works order is completed – to ensure the resident is satisfied the work has been carried out.</p>
Disability	<p>Social housing tenants in Hammersmith & Fulham tend to have a higher incidence of disability than the wider borough population. Disabled residents are at higher risk of adverse outcomes when they are living in properties in a state of disrepair. This strategy has the potential to improve outcomes for this cohort by returning properties to standard quicker through a better repairs service.</p> <p>Disabled residents may be adversely affected by any disruption caused by demobilising one contract and mobilising the replacement contract – missed appointments, delays in completing works and poor quality works are all risks.</p> <p>The Repairs Client Team and Customer Services Centre will take steps to identify and prioritise works where there are vulnerable residents and liaise with the contractors to ensure that risks are mitigated. 30% of works completed by the outgoing contractor will be post inspected in order to detect inadequate workmanship and ensure speedy resolution. The outgoing contractor's supervisory team must evidence that they had a phone call with every resident once a works order is completed – to ensure the resident is satisfied the work has been carried out.</p>
Gender reassignment	<p>No impacts have been identified that are associated with these protected characteristics.</p>
Marriage and Civil Partnership	
Pregnancy and Maternity	<p>Pregnant residents, or residents with young children are at higher risk of adverse outcomes when they are living in properties in a state of disrepair. This strategy has the potential to improve outcomes for this cohort by returning properties to standard quicker through a better repairs service.</p> <p>Pregnant/young family residents may be adversely affected by the works being carried out – as tenants or as neighbours. The Repairs Client Team will scrutinise the resident liaison and tenant experience requirements of the contract for the works and negotiate additional protections where necessary.</p>
Race	<p>Social housing tenants in Hammersmith & Fulham tend to be more ethnically diverse than the wider borough population. This strategy has the potential to improve outcomes for this cohort by improving the repairs service.</p>

	Language barriers may cause difficulties when works are being carried out. The Repairs Client Team will scrutinise the resident liaison and tenant experience requirements of the contract for the works and negotiate additional protections where necessary.
Religion and Belief	No impacts have been identified that are associated with these protected characteristics.
Sex	
Sexual orientation	

Climate and Ecological Emergency Implications

9. Morgan Sindall made environmental commitments as part of their Social Value commitments (see section 17 below) for both lot 1 and lot 2. They are full participants in the monthly Environment working group that brings all of the repairs and maintenance contractors together with colleagues from the Council's Climate Change Team. Morgan Sindall have made the most progress in adopting electric vehicles. As the borough wide Gas contractor (lot 4) they are an important partner helping the Council develop its policy on the move away from gas boilers to more sustainable sources of heat. We expect that Morgan Sindall taking over lot 2 is likely to facilitate greater progress towards the Council's environmental goals.
10. *Implications verified by: Hinesh Mehta, Strategic Lead (Climate Change) 020 8753 6703*

IT Implications

11. IT Implications: Digital Services is already working in partnership with the Economy on aspects of this proposal. The Economy's Operations division has assembled a project team, working with colleagues from Corporate Digital Services, to deliver the IT mobilisation (integration of the contractors' systems with the Council's Northgate Housing Management system). This builds on the successful mobilisation of Morgan Sindall to deliver lot 1/North area contract.
12. Digital Services must be consulted where proposals require new systems to be procured, existing systems to be modified, or IT enhancements to be considered. As such, if further requirements arise, Digital Services must be advised as early as possible to ensure prompt service delivery and coordination of all necessary safeguards, permissions and budgets.
13. IM Implications: A Privacy Impact Assessment was produced at the point Morgan Sindall were mobilised into lot 1 to ensure all potential data protection risks resulting from this proposal were properly assessed with mitigating actions agreed and implemented.

14. Suppliers will be expected to have a General Data Protection Regulation (GDPR) policy in place and all staff will be expected to have received GDPR training.
15. Contracts should include H&F's data protection and processing schedule, which is GDPR compliant.
16. *Implications completed by: Karen Barry, Strategic Relationship Manager – 020 8753 3481.*

Local Economy and Social Value

17. Morgan Sindall included specific Social Value commitments in their lot 1 and lot 2 tenders. The tender exercise took place before the Council's current Social Value policy was in place, so their commitments take the form of specific activities, rather than a 10% contribution relative to contract value, measured by TOMs. The Social Value Portal do not monitor the Social Value delivered by this contract (just as they do not monitor social value delivered by any contract awarded before they were commissioned by the Council). Instead, Social Value is monitored internally by Economy Department officers. Work is underway to integrate this monitoring with Social Value Portal monitoring.
18. Morgan Sindall have made the most progress towards delivering their Social Value commitments of all of the repairs and maintenance contracts awarded in summer 2020. It would be reasonable to expect that Morgan Sindall taking over lot 2 is likely to lead to more social value being delivered over the remaining 4 years of the contract.
19. *Implications verified by: Karen Galey, Assistant Director for Economic Development, karen.galey@lbhf.gov.uk*

Consultation

20. A system is in place to gather satisfaction from customers once repairs are completed. This data has informed the view of contractor performance that is outlined in this report. A Residents' Voice event was held in July 2021 which provided further evidence of residents' views about the repairs service. The recommendations in this paper are designed to affect a major improvement in resident satisfaction.

LIST OF APPENDICES

Exempt Appendix 1