

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Jon Pickstone, Strategic Director for The Economy

Date: 06/04/2022

Subject: Planned Preventative Maintenance – local contractor pilot

Report author: Richard Buckley, Assistant Director of Building and Resident Safety

SUMMARY

This Procurement Strategy recommends the direct award of contracts to three contractors from London/the South East who have a historic track record of working effectively in Hammersmith & Fulham (either directly for the Council or as sub-contractors of bigger contractors). The direct awards are intended to facilitate an immediate acceleration in Planned Preventative Maintenance (PPM) programmes across the borough's housing properties – specifically programmes to descale/unblock drainage systems and to replace pipework. This has the potential to reduce future repairs demand.

These are limited value awards to enable work to proceed during the summer months. They will allow us to pilot the effectiveness of using smaller firms. This paper also details the medium term strategy for increasing and accelerating the PPM carried out by the Council, as this is vital to reducing repairs demand to a sustainable level.

RECOMMENDATIONS

1. To direct award a contract to CCR Property Services Limited for a maximum value of £300,000 and a contract period of 2nd May 2022 to 30th April 2023.
2. To direct award a contract to Fraser Water Services Limited for a maximum value of £500,000 and a contract period of 2nd May 2022 to 30th April 2023.
3. To direct award a contract to AJF Heating, Mechanical Water and Electrical Services for a maximum value of £200,000 and a contract period of 2nd May 2022 to 30th April 2023.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The contractors will be required to deliver Social Value equivalent to 10% of the contract values. This should have

	a positive impact on local wellbeing prosperity.
Creating a compassionate council	Leaks have a significant negative impact on our tenants. It is important that the root causes are addressed.
Doing things with local residents, not to them	When the need for in-property PPM is identified (e.g. replacing pipework) then an appointment will be made with the residents and a full assessment of the issue will be undertaken. A letter will be sent to the residents informing them of what works are to be undertaken and why and they will be provided with a direct contact into the team so they can discuss any issues they are having. The contracts will stipulate high standards of resident communication throughout the works process.
Being ruthlessly financially efficient	The prices set in the contracts will be rigorously negotiated. The prices of the day to day responsive repairs contractors (Mears and Morgan Sindall) provide benchmarks that we expect the pilot contractors to beat. Where negotiations have already taken place there is evidence of good value, with the prices for the soil stack programme being nearly 50% less than historic prices for similar work.
Taking pride in H&F	Planned Preventative Maintenance is about investing in our housing stock so that we provide our tenants with homes to be proud of.
Rising to the challenge of the climate and ecological emergency	Proper PPM is more carbon efficient than multiple 'sticking plaster' repairs. At present the council is directing hundreds of attendances to properties afflicted by repeated leaks which means multiple van visits. Reducing repairs demand through PPM will reduce carbon emissions.

Financial Impact

The HRA Asset Management Compliance Strategy and Capital Programme contains an approved budget for 22/23 of £4,010,000 for generic / responsive capital repairs work. Contained within this budget is an uncommitted allocation of £1,500,000 for capital works on roofs, drainage etc. The capital elements of costs related to the works proposed in this report (maximum potential total costs being £1,000,000) can be funded from this allocation.

Whilst it is expected that the works to be undertaken by Fraser Water Services Limited and AJF Heating, Mechanical Water and Electrical Services will be wholly capital in nature (the works relate to the removal of all aged copper piping within the voids of the property and replacement with plastic piping plus inspection, fire stopping, access provision), the soil stack descaling work undertaken by CCR Property Services Limited will be mostly revenue in nature except where replacement of pipework is required (this is estimated at only 5% of expected total costs). The revenue costs for descaling are expected to be in the region of £285,000 over the term of the contracts and these costs will be funded from the additional budget growth provided for within the DLO (H&F Maintenance) from 22/23 onwards to support programmes to descale/unblock drainage systems and to replace pipework. As the work is undertaken, opportunities for higher rates of capitalisation will be explored.

A credit report was produced for CCR Property Services Limited via CreditSafe on 29 March 2022 which shows they have a risk score of 56 which is above the Council's minimum required score of 50. The average of their most recent two financial years' turnover is £2.6m. This is well above the Council's minimum requirement of double the proposed maximum value of award to them which is £300,000.

A credit report was produced for Fraser Water Services Limited via CreditSafe on 29 March 2022 which shows they have a risk score of 36 which is below the Council's minimum required score of 50. They have provided a profit & loss statement for the 9 months ending 31 December 2021 which shows the turnover is £1.4m. This is above the Council's minimum requirement of double the proposed maximum value of award to them which is £500,000. The service has confirmed that works will be commissioned on a piecemeal basis and that payment will be made in arrears following inspection and satisfaction that the works have been completed to the required standard. Additionally, paragraphs 31 and 32 of this report describe the mitigation measures considered by the project team with regards to the risk related to contractors' financial health and standing.

AJF Heating, Mechanical Water and Electrical Services are a limited liability partnership and no CreditSafe report is available on them. Based on the copy of accounts provided by them for the year ending 31 October 2020, their two years' average turnover is £484,000. This is above the Council's minimum requirement of double the proposed maximum value of award to them which is £200,000. The service has confirmed that works will be commissioned on a piecemeal basis and that payment will be made in arrears following inspection and satisfaction that the works have been completed to the required standard. Additionally, paragraphs 31 and 32 of this report describe the mitigation measures considered by the project team with regards to the risk related to contractors' financial health and standing.

Leaseholder Services advise that due to the value of the soil stack descaling contract, formal consultation would not be necessary and the Council could recharge up to £250 per leaseholder through the annual service charges billing. This would need to be supported by evidence that the contract costs had been subject to a VFM assessment. Only emergency water and drainage works affecting leaseholder properties will be carried out as part of this procurement and the service will liaise with individual leaseholders in ensuring that work can be recharged where possible.

Whilst these pilot procurements are expected to make a very small impact in terms of containing or reducing repairs demand, it is the medium term procurement strategy (outlined in paras 10 – 18) which is expected to have a more tangible impact on repairs demand volumes. There are no immediate savings expected from this procurement, but the pilot should serve to support establishing an effective medium term programme to bring demand down. The HRA long term financial plan assumes a 1% reduction in repairs costs from 2027/28 as a result of the capital programme and other initiatives to reduce current demand levels.

It is expected that the PPM works programme will require the recruitment of a Project Manager. Although this is not a budgeted established post, the DLO (H&F Maintenance) budgets are sufficient to enable this cost to be absorbed within existing revenue budgets. It may also be possible to capitalise some of these costs. Any approval of this post will be managed outside of this report through the RMB process.

Paras 22-27 explain that the recommended procurement approach is the least likely to assure VFM although this short term need will be replaced through a competitive tender approach after a year. However, the cost of works under these short term procurements are expected to be lower than those of the existing long term repairs contractors with prices for the soil stack descaling being almost 50% lower than the cost of previous works carried out (as set out in the “Being ruthlessly financially efficient” table above). There is no guaranteed spend under these contracts, all works will be separately commissioned by the service, allowing costs to be robustly controlled.

Although the soil stack descaling is not included within the long term repairs contracts, there is an element of crossover between the scope of the long term repairs contracts and the two proposed contracts in this report for the pipework replacement works. Negotiations are due to take place with Morgan Sindall shortly but there is a risk that VFM will not be achieved unless the price and scope of the long term repairs contracts can be reset in light of the changes proposed in this report.

The underlying trend of budget deficits within the HRA and the level of cashable reserves means that revenue savings of £3.8m for 2022/23 rising to c£8m in the coming years are required. These plans will not result in the generation of any immediate savings but are expected to inform the medium term strategy for accelerating PPM works which is anticipated to reduce the level of repairs demand and hence cost to a financially sustainable level in the coming years.

*Implications completed by: Danny Rochford, Head of Finance (HRA & Economy),
020 8753 4023, 1st April 2022*

Verified by Emily Hill, Director of Finance, 6th April 2022

Legal Implications

This report recommends making 3 direct awards for works contracts under a pilot to descale, unblock and replace drainage systems and pipework stacks in a number of Council owned blocks to deal with leaks. The awards are as follows:

1. CCR Property Services Limited for up to £300,000
2. Fraser Water Services Limited for up to £500,000
3. AJF Heating, Mechanical Water and Electrical Services for up to £200,000

As works contracts, they are all below the threshold at which they would otherwise be required to be procured under the Public Contracts Regulations 2015 using one of the procurement procedures set out in Part 2. However, the Council's own Contract Standing Orders must be complied with and, as they are High Value Contracts, they must be procured using a Framework Agreement/DPS (CSO19.1) or a full tender unless a waiver from that rule is granted.

The appropriate decision maker for awards of these values is the SLT member in consultation with the relevant Cabinet Member.

The decisions to award contracts over £300,000 are Key Decisions. They must be submitted to Committee Services for publication on the Council's website. The award decision cannot be implemented without the expiry of the call-in period for those decisions.

A contract award notice must be published on Contracts Finder.

Implications completed by: Angela Hogan, Chief Solicitor (Contracts and Procurement), 29th March 2022

Background Papers Used in Preparing This Report

Housing Revenue Account (HRA) 12 year Asset Management Capital Strategy,
Cabinet 06/09/2021 - PUBLISHED

DETAILED ANALYSIS

Background

1. Since Mitie's programme of capital work was halted in spring 2018, there has been very little Planned Preventative Maintenance (PPM) for the borough's

housing stock that has been explicitly designed to reduce responsive repairs demand.

2. Where there has been investment, it has been driven by analysis and resident engagement from 2018 or earlier. This analysis is behind the current block refurbishment programme, that covers nine separate packages of works to 138 blocks/1,555 homes. To date six packages have been completed, providing new windows to almost 400 homes, and new roof coverings benefiting over 300 homes.
3. Otherwise, capital spend has primarily been driven by a Fire Safety/General safety logic. There has been significant investment in fire doors, spandrel panels and wet/dry risers. There has also been significant investment in communal Gas boilers, communal lighting, lifts and water tanks.
4. The lack of repairs-orientated investment however is leading to high demand for responsive repairs, which is putting immense pressure on the repairs contractors and the Council's Housing Call Centre. One third of repairs involve leaks, which is attributable to rooves, pipes and soil stacks that need major maintenance or replacement. When leaks are discovered, the repairs contractors are often carrying out 'sticking plaster' repairs, when sometimes there is a need to replace the piping entirely.
5. There is also a high volume of window-related repairs, as the windows in our housing stock are increasingly exceeding their useful lives.
6. The first soil stack de-scaling programme in 4 years started in November 2021 and has completed 4 blocks, 24 are in the pipeline and there is budget for 60. There are 595 blocks with soil stacks.
7. PPM programmes have been impeded by a lack of contracted providers to carry out the work after Mitie was demobilised in April 2019. Currently the only suitable contracted provider is Kier, with whom there is a £75m, five year contract. Kier are currently being used to carry out a range of fire safety projects, and to return a number of long term empty (void) properties to lettable standard.

Short term pilots:

8. It is proposed that three contractors be procured to enable the immediate acceleration of housing PPM, with a specific focus on drainage and leaks:
 - CCR Property Services are Essex based and carried out the first phase of the soil stack de-scale programme. It is proposed that they be procured to carry out a second stage.
 - Fraser Water Services Ltd are based in Hounslow and provide an emergency service for water related housing issues. They carry out a range of asset replacement services that tackle the root cause of leaks. It is proposed that their activity be scaled up significantly so that a

much higher volume of leak repairs lead to replacement of the pipework.

- AJF Heating, Mechanical Water and Electrical Services are based in Surbiton and carry out a similar role to Fraser Water, but at a smaller scale. Similarly, it is proposed that their activity be scaled up.

9. These contractors have been chosen based on their record of effectiveness when commissioned by the Council in the past (either directly for the Council or as sub-contractors of bigger contractors).
10. Lessons learnt from the pilot will be assessed after 3 months, 6 months and a year to inform the wider plans for repairs and maintenance.

Medium term plan

11. See appendix C for commentary on the medium term plan for replacing the short term pilot contracts, and the wider procurement strategy for capital works.

Reasons for Decision

12. To accelerate Planned Preventative Maintenance (PPM) programmes across the borough's housing properties (specifically programmes to descale/unblock drainage systems and to replace pipework).

Contract Specifications Summary

13. See table below for a description of the works or services being procured:

Contract	Contract value	Description of works/services
CCR Property Services	£300k	<p>See appendix A for the programme of block soil stacks that CCR will have the opportunity to work on under this contract (though there will be no guaranteed work). The blocks have been prioritised for resident impact and potential to reduce repair demand.</p> <p>The works to be carried out are:</p> <ul style="list-style-type: none"> > to access each soil stack and provide long term access > CCTV scan the soil stacks to highlight any breakages, faults, blockage points, > undertake repairs/replacement, resolve any blockage points, carry out adaptations to pipe if required,

		> then de-scale soil stack.
Fraser Water Services Limited	£500k	<p>This is a responsive service based on ongoing monitoring of leak related repairs, and data analysis of demand hot spots. The Mechanical & Electrical (M&E) service will identify properties requiring a full assessment by Fraser Water and then will specify the works required.</p> <p>Fraser Water will then be commissioned to carry out the following services:</p> <ul style="list-style-type: none"> > the removal of all aged copper piping within the voids of the property and replace with plastic piping, > fire stopping within the void to the service riser, > inspection of the hidden services within the riser, > reinstate walling and tiling whilst providing access for future maintenance. > adding localised isolation points to water supplies, > provide detailed report on works undertaken.
AJF Heating, Mechanical Water and Electrical Services	£200k	AJF will carry out the same services as Fraser Water. They are a back-up provider if demand exceeds the volumes Fraser Water can confidently deal with.

14. All contracts will be for a maximum duration of 12 months.

Procurement Route Analysis of Options

15. There are a range of procurement options available to procure providers of PPM works:

- Competitive tender
- Mini-competition from a suitable framework or Dynamic Purchasing System (DPS0)

- Direct award from a suitable framework
16. These options provide varying levels of assurance that the resulting providers are value for money. Competitive tender is the best guarantor of value as it is open to the whole market, whereas direct award from framework provides a limited degree of assurance (from the fact of the competition required to get onto the framework in the first place).
 17. The disadvantage with the first two options is that the time it takes to deliver them. Competitive tender can take up to 4 to 6 weeks to seek tenders and evaluate the results, before 3 or 4 weeks required for the contract award Governance. Mini-competition is only a little bit quicker.
 18. The service is seeking to start the new work programmes in May 2022 to take full advantage of the summer months and have the maximum impact on winter repairs demand. They have ruled out the first two options because of the time required to deliver them.
 19. Direct award from a suitable framework would be the quickest option. However, none of the three contractors detailed above are part of any frameworks or DPS (due to their small size).
 20. The only remaining option is direct award of contracts to these three contractors.

Market Analysis, Local Economy and Social Value

21. Market Analysis is not applicable as this procurement strategy involves no test of the market. It is a strategy for direct award.
22. While none of the proposed contractors are Hammersmith and Fulham firms, they are all London/South East based firms. CCR, Fraser Water and AJF Heating have H&F residents among their employees.
23. The Council's Social Value policy requires that all contracts greater than £100k in value must require the contractor to deliver Social Value equivalent to 10% of the contract value (as measured by the Council's TOMS matrix). For each of the three contracts to be awarded, a clause will be included to cover this requirement. The contractors will be required to pay the annual fees of the Social Value Portal (who will monitor their delivery of Social Value activities). Contract managers from the M&E service and Repairs Client service will be required to complete the forms necessary to register the three contractors with the Social Value Portal.

Risk Assessment and Proposed Mitigations

24. There may be risks arising from the fact that Fraser Water and AJF Heating are relatively small firms. Fraser Water has a turnover of £1.5m and 10 operatives. AJF Heating has a turnover of £400,000 and 4 operatives.

25. The mitigation is that the volume of work given to these contractors is controllable and there is no commitment to give them any specific volume. Both contractors have proven competent in the past and the level of work they ultimately get will be determined by the quality of their workmanship and service.

Timetable

26. Please include an estimated timetable of the competition process through to contact commencing.

Key Decision Entry (Strategy)	23/03/2022
Contracts Assurance Board (Strategy)	30/03/2022
SLT/Cabinet Member/Cabinet Sign off (Strategy)	30/03/2022
Contract engrossment	22/04/2022
Contract mobilisation and implementation	25/04/2022
Contract Commencement date	02/05/2022

Selection and Award Criteria

27. No tender is proposed so there are no formal selection or award criteria. There will be no evaluation of Social Value.
28. Price mechanisms are described in the table below:

Contract	Pricing mechanism
CCR Property Services	<p>CCR will quote for every block within the programme. Quotes received to date average £525 per soil stack.</p> <p>For similar, non-programmed, soil stack works in the past, the Council paid £1,025, so £525 is seen as good value.</p> <p>There is no guaranteed work so CCR will only complete the programme if they continue to quote competitive prices.</p>
Fraser Water and AJF Heating	<p>Pricing via hourly labour rates.</p> <p>Negotiations are ongoing but current offer is £49.25 per hour and £45 per hour respectively. This represents a 10% discount on their standard rates.</p>

Contract Management

29. The standard of workmanship and service will be monitored and measured by the M&E client team. Contractors will need to provide works reports evidencing the works undertaken. The service will be allocating a supervisor resource to these works and they will be reporting directly into Billy Reid, Head of M&E. The contractor will be required to provide Billy with a time assessment of the works prior to commencement and this will be scrutinised. The M&E team will call every resident once the works have been completed to ensure satisfaction, and if there are any issues no payments will be certified until they are resolved.
30. There will be monthly performance meetings in which KPIs will be reviewed. KPIs will include:
 - Attendance of appointments to investigate the leak/back surge etc, and complete specific tasks
 - Emergency attendances within 4 hours
 - Submission of a formatted works report for every job, proving quantity and quality
 - Resident satisfaction
 - 10% of all works will be audited. If snagging is required, the contractor has 10 days to resolve and evidence.
31. Social Value will be monitored by the Social Value Portal (SVP). Contractors will be registered with the SVP (and required to pay the annual fee) at the point that contract spend exceeds £100,000.
32. Annual inflationary uplifts will not be applied as the contracts will not exceed 12 months.

Equality Implications

33. See Appendix B for the EQIA carried out for this procurement strategy.
34. The action recommended by the EQIA is to Ensure that the vulnerability and risk assessment process is clearly specified in the contracts awarded to these contractors, so that all roles and responsibilities are understood, and contractors understand their requirements to implement the specific mitigation strategies prescribed by LBHF.

Risk Management Implications

35. The report recommends entering into contracts, by means of direct award, with three local contractors to carry out, as a pilot exercise prior to a longer term procurement being completed, to descale, unblock and replace drainage systems and pipework stacks in a number of Council owned blocks to deal with

leaks. The work delivered through these contracts will help to mitigate the detrimental impact of leaks on residents. Through negotiation with existing contractors, who have a track record of delivering quality works, favourable prices have been secured which is in line with the Council objective of being ruthlessly financially efficient.

David Hughes, Director of Audit, Fraud, Risk and Insurance, 31 March 2022

Climate and Ecological Emergency Implications

36. Proper PPM is more carbon efficient than multiple 'sticking plaster' repairs. At present the council is directing hundreds of attendances to properties afflicted by repeated leaks which means multiple van visits. Reducing repairs demand through PPM will reduce carbon emissions.

Implications approved by Hinesh Mehta, Strategic Lead (Climate Emergency), 29/03/2022

Local Economy and Social Value Implications

37. It is a requirement that all contracts let by the council with a value above £100,000 provide social value commitments that are additional to the core services required under the contract. All three contracts are over £100,000.
38. Paragraph 22 of this report commits to including a clause in each of the three contracts that at least 10% of proxy value of social value will be delivered and evidenced as part of the services commissioned.
39. It is recommended the project lead will work closely with the council's Social Value Officer and the contractor to agree on social value measures and their delivery plan, soon after the award. The supplier will be required to set targets on Social Value Portal and to pay the relevant fee for effective monitoring and reporting.
40. It is advised that the commissioner works with Legal to ensure appropriate social value clauses are included in the contract, so that the council can enforce its right to compensation if social value commitments are not delivered.

Paul Clarke, Economic Development Officer, 31/3/22

Consultation

41. No consultation has been carried out. When the need for in-property PPM is identified (e.g. replacing pipework) then an appointment will be made with the residents and a full assessment of the issue will be undertaken. A letter will be sent to the residents informing them of what works are to be undertaken and why and they will be provided with a direct contact into the team so they can discuss any issues they are having. The contracts will stipulate high standards of resident communication throughout the works process.

LIST OF APPENDICES

Appendix A Soil stack programme

Appendix B Equalities Impact Assessment (EQIA)

Appendix C Medium term plan

Appendix D Procurement Strategy for capital programmes approved by Cabinet
06/09/21