

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Jon Pickstone, Strategic Director for The Economy in consultation with the relevant Cabinet Member

**Date:** 26/05/2022

**Subject:** Responsive repairs and voids – local contractor pilot

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

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### SUMMARY

This Procurement Strategy recommends the direct award of a contract to a contractor based in London with a track record of working effectively for Hammersmith & Fulham. The direct award is intended to support an overarching strategy to improve outcomes from the responsive repairs and voids service – specifically by providing additional capacity to return properties (voids) to lettable standard and to carry out certain types of overdue repairs.

This is a value and time limited award. It will allow us to pilot the effectiveness of using smaller firms. This paper also details the medium-term strategy for sustaining outcomes in the repairs and voids service, including the procurement of providers to deliver the Capital Programme, as this investment in our housing stock is vital to reducing repairs demand to a sustainable level.

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### RECOMMENDATIONS

1. To direct award a contract to Cablesheer (Asbestos) Limited for a maximum value of £650,000 and a contract period of 30<sup>th</sup> May 2022 to 2<sup>nd</sup> June 2023.

**Wards Affected:** All

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| <b>Our Values</b>                | <b>Summary of how this report aligns to the H&amp;F Values</b>  |
|----------------------------------|---|
| Building shared prosperity       | The contractor 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 | Overdue repairs and voids have a significant negative impact on our tenants. It is important that backlogs are addressed and void properties are made available for rehousing residents |

|   |   |
|---|---|
|   | as quickly as possible  |
| Doing things with local residents, not to them                  | The contract will stipulate high standards of resident communication throughout the works process.  |
| Being ruthlessly financially efficient                          | The prices set in the contract 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.   |
| Taking pride in H&F   | It is important that the Council provides tenants with homes to be proud of.  |
| Rising to the challenge of the climate and ecological emergency | Proper capital investment is more carbon efficient than multiple 'sticking plaster' repairs. The background document referred to 'Housing Revenue Account (HRA) 12-year Asset Management Capital Strategy' outlines the procurement strategy for the Capital Programme. |

## Financial Impact

The service expects that approximately two thirds of the cost of the works to be undertaken may be capital in nature, with the remaining third falling to revenue. The detail of the works is set out in a table beneath para. 9 and this supports the expectation that the works will be a mix of capital and revenue costs, though it is not possible to determine the exact split until the specific works are identified. Given the maximum value of this contract of £650,000, it is estimated that capital costs of £433,000 and revenue costs of £217,000 may be incurred.

On the revenue side, the costs of voids works are expected to be funded from the existing voids budgets for the general repairs and voids long term contractors of £1,084,000. This is possible because voids works are not covered by the price per property mechanism within the long-term contracts so there are no sunk costs. Also, the latest forecast outturn position indicates that the need for voids revenue budgets has been overestimated and will not be needed in full on an ongoing basis because the majority of void works coming through NEC (the housing management system) are capitalisable. Even though it is expected that the pace at which voids are returned to use and the number of voids that are processed will increase, it is still expected that the higher rates of capitalisation will ensure that the revenue budgets are adequate to cover the costs of the long term contractors and this contract.

As the overdue repairs works are already included in the price per property mechanism of the long-term contracts, there is a direct crossover with this contract.

This means that costs are being duplicated. However, given the scale of the capitalisation of void works at present, it is expected that the long term repairs contract voids budget will have capacity to absorb these costs. Additionally, the intention is that where any repairs works take place on behalf of the long-term repairs contractors, the Council would seek to recharge for these costs. Negotiations are taking place with Morgan Sindall currently 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 HRA Asset Management Compliance Strategy and Capital Programme contains an approved budget for 2022/23 of £4,010,000 for generic / responsive capital repairs work. Contained within this budget is an uncommitted allocation of £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 £433,000) can be funded from this allocation.

A credit report was produced for Cablesheer (Asbestos) Limited via CreditSafe on 12 May 2022 which shows they have a risk score of 72 which is above the Council's minimum required score of 50. The last two full years' turnover are £6.8m (year ending 9/20) and £8.9m (y/e 9/19) and this exceeds the Council's minimum requirement of twice the proposed maximum value of award.

There is no guaranteed spend under the contract and all individual works will be separately commissioned by the service, allowing costs to be robustly controlled. Furthermore, payment will not be made until the service has carried out and is satisfied with post-inspection reviews on all void works.

Whilst this pilot procurement is expected to only make a small impact in terms of reducing voids numbers and repairs demand, this will inform the medium term procurement strategy (outlined in Appendix B) 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 and it is expected that the voids will be returned to generating income from tenancies. The HRA long term financial plan assumes reductions in repairs costs of £250,000 from 2027/28 rising to £1,250,000 from 2031/32 as a result of the capital programme and other initiatives reducing current demand levels.

There are no additional unbudgeted resourcing costs as a result of this procurement and the contract will be managed by the existing Voids Manager.

The service advises that the appropriate financial penalties are being applied to the General Repairs and Voids contractors where appropriate (£8,500 pcm for Morgan Sindall and £0 for Mears at present) under the terms of the contracts. This penalty income is not expected to be available to contribute directly to the costs of this contract as this income is used to support the "cost of failure" increases in the cost of the Customer Service Centre.

Paras 11-16 explain that the recommended procurement approach is the least likely to assure VFM although this short-term need will be replaced by a new approach to delivery of voids as outlined in Appendix B.

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 replacing Cablesheer and the wider procurement strategy for capital works which are anticipated to reduce the level of voids and repairs demand and hence cost to a financially sustainable level in the coming years.

Restoring voids levels to a manageable level will reduce rental income loss for the Housing Revenue Account and also reduce demand for temporary accommodation which is most often a cost to the General Fund.

*Implications completed by: Danny Rochford, Head of Finance (HRA & Economy),  
020 8753 4023, 28 April 2022*

*Verified by officer name, role title, date verified by Emily Hill, Director of Finance,  
10/05/2022*

## **Legal Implications**

This report seeks approval to make a direct award to Cablesheer (Asbestos) Limited for a works contract for responsive repairs and voids in the sum of £650,000. The contract is below the threshold that would otherwise require a full EU procurement under the Public Contracts Regulations 2015 ('PCRs'). The Council's own Contract Standing Orders, however, must be complied with. CSO 19.1 requires contracts in this value range to be procured under a Framework or DPS or a procedure to be adopted in accordance with the PCRs unless a waiver is granted. Waivers can be granted on one of the grounds in CSO 22. In this particular instance, there is a separate report seeking a waiver on the grounds of extreme urgency given the need to carry out repairs without delay. If the waiver is granted, the recommendation in this report can be approved.

CSO 18.1 requires that the SLT Member approves the strategy in consultation with the relevant Cabinet Member.

The contract should be drafted by Legal Services using a JCT suitable template.

Details of all contracts that have a value of £5,000 or greater must be published by the SLT Member in the Corporate Contracts Register on the e-tendering system in accordance with the [Transparency Regulations 2015](#) and the [Local Government Transparency Code 2015](#) published by the Department for Communities & Local Government.

In addition, an electronic copy of the completed (dated) Contract must be uploaded to the Contracts Register.

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

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

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### **DETAILED ANALYSIS**

#### **Background**

1. There is currently a significant backlog of empty housing properties (voids) that need to be returned through repairs and refurbishment to the Council's lettable standard. While they are empty, LBHF misses out on rental income and more residents remain on the Housing waiting list, or in Temporary Accommodation, than would be the case if the properties were let.
2. There is also a backlog of overdue responsive repairs for occupied housing properties. This has negative health and wellbeing impacts on tenants, generates a high volume of complaints and create failure demand.
3. Recovery plans are in place for the two responsive repairs and voids contractors to address these backlogs, but additional capacity would accelerate the recovery.

#### Short term pilots:

4. It is proposed that Cablesheer be procured to enable the immediate acceleration of the recovery of the repairs and voids service.
5. Cablesheer (Asbestos) Limited are based in LB Bromley and provide a number of services for LBHF (Asbestos removal and roofing repairs). They also have capacity to carry out voids works. It is proposed that they be given packages of voids in order to accelerate the recovery of the voids service and maximise the number of properties that can be let out.
6. Cablesheer have been chosen based on their record of effectiveness when commissioned by the Council in the past. They delivered a successful Asbestos removal service between April 2019 and July 2020 and have recently won two new contracts through competitive tender (Asbestos removal and Roofing).
7. In particular they have demonstrated the ability to deliver effective management of works, with strong supervision to keep on top of job progress and completions as well as a robust approach to open communication with the council – particularly important for a contract such as this which is aiming to accelerate completion of a number of open works orders. In addition, they have demonstrated high quality of works completed.

8. The intention is that Cablesheer will predominantly carry out Void works but also have the ability to take on occasional ad-hoc repairs which may have been delayed, and be high profile in nature, to push these through to completion. It is expected that repair work will be minimal though and the primary function will be for the delivery of void works to support the reduction of the current backlog.
9. As this is being implemented as a short-term pilot project to support the recovery of the voids service there will be regular reviews to understand the performance of the service delivery, and a thorough evaluation of outcomes and impact – including of both the cost and operating model. These outcomes and measures will help inform the medium-term solution for delivery of the voids service.

Medium term plan

10. See Appendix B for commentary on the medium term plan for replacing the Cablesheer, and the wider procurement strategy for capital works.

**Reasons for Decision**

11. To accelerate the recovery of the Responsive Repairs and Voids service.

**Contract Specifications Summary**

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

| <b>Contract</b>               | <b>Contract value</b> | <b>Description of works/services</b>  |
|-------------------------------|-----------------------|---|
| Cablesheer (Asbestos) Limited | £650,000k             | <p>Works to void properties to bring them up to the LBHF lettable standard, to include</p> <ul style="list-style-type: none"> <li>• Major and minor void works</li> <li>• Kitchens and bathroom repairs and renewals</li> <li>• Asbestos encapsulation and removal</li> <li>• Gas/heating servicing and repair in voids</li> <li>• Boiler installs</li> <li>• Roof renewals and repair</li> <li>• Waterproofing works to balconies</li> <li>• Firestopping works</li> <li>• Firedoors</li> <li>• Sprinkler systems</li> </ul> |

13. The contract will be for a maximum duration of 12 months.

### **Procurement Route Analysis of Options**

14. There are a range of procurement options available to procure providers of these works:
- Competitive tender
  - Mini-competition from a suitable framework or Dynamic Purchasing System (DPS)
  - Direct award from a suitable framework
15. 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).
16. 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.
17. The service urgently requires new capacity to be brought online in June 2022 to prevent further negative outcomes for residents, reduce complaints, reduce failure demand, 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.
18. Direct Award from a suitable framework would be the quickest option. Cablesheer are part of the South East Consortium Dynamic Purchasing System (DPS) for voids but this does not allow Direct Awards. Cablesheer's presence on this DPS does provide additional assurance in regard to their quality and price.
19. The only remaining option is direct award of a contract to Cablesheer, and this is the recommendation of this paper.

### **Market Analysis, Local Economy and Social Value**

20. Market Analysis is not applicable as this procurement strategy involves no test of the market. It is a strategy for direct award.
21. While Cablesheer are not a Hammersmith and Fulham firm, they are a London based firm.
22. 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). A clause will be included in the Cablesheer contract to cover this requirement. The contractor 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 Cablesheer with the Social Value Portal.

## Risk Assessment and Proposed Mitigations

23. There may be risks arising from the fact that Cablesheer will not be as comprehensively integrated into the Council's IT systems as the main repairs contractors. The use of the Northgate Portal will allow some degree of integration, but it will still mean that Cablesheer will need special management processes to be put in place. There will need to be special processes for dealing with communication between the Council's Customer Service Centre (CSC) and Cablesheer. This issue is mitigated for voids (where there are no tenants to communicate with).
24. The mitigation is that the volume of work given to Cablesheer is controllable and there is no commitment to give them any specific volume. Cablesheer 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. The volume of work can be controlled so that it does not overwhelm the special management processes put in place to manage this contractor.

## Timetable

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

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|--|------------|
| Key Decision Entry (Strategy)            | 23/03/2022 |
| Contracts Assurance Board                | 11/05/2022 |
| SLT/Cabinet Member/Cabinet Sign off      | 26/05/2022 |
| Contract engrossment                     | 30/05/2022 |
| Contract mobilisation and implementation | 07/06/2022 |
| Contract Commencement date               | 14/06/2022 |

## Selection and Award Criteria

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



| <b>Contract</b>                 | <b>Pricing mechanism</b>  |
|---------------------------------|---|
| Cablesheer Construction Limited | Natfed Schedule of Rates (SORs) for responsive works (v7) will be used for pricing works. Cablesheer will provide an adjustment of +10% (+8%OHP) against the SORs. Any works which sit outside of the NHF to be priced open book with multiple quotes to demonstrate value for money. |

## **Contract Management**

28. The standard of workmanship and service will be monitored and measured by the Repairs and Voids client team. Cablesheer will need to provide evidence of works undertaken, including before and after photographs. The service will be allocating a dedicated supervisor resource to the contract.
29. There will be monthly performance meetings in which KPIs will be reviewed. KPIs will include:
  - Appointment kept
  - Works completed by target completion date
  - Submission of all require information every job, proving quantity and quality
  - Resident satisfaction
  - 100% of all void works will be post-inspected prior to handover. If any rectification is required, the contractor must deliver this at no additional cost.
30. Social Value will be monitored by the Social Value Portal (SVP). Cablesheer will be registered with the SVP (and required to pay the annual fee) at the point that contract spend exceeds £100,000.
31. Annual inflationary uplifts will not be applied as the contract will not exceed 12 months.

## **Equality Implications**

32. See Appendix A for the EQIA carried out for this procurement strategy.
33. The action recommended by the EQIA is to Ensure that the vulnerability requirements are clearly specified in the contract awarded to this contractor, so that all roles and responsibilities are understood, and Cablesheer understand their requirements to implement the specific mitigation strategies prescribed by LBHF.

## **Risk Management Implications**

34. The report recommends entering into a contract, by means of direct award, with proven contractor to carry out, as a pilot exercise prior to a longer term procurement being completed, a range of responsive repairs and refurbishment of void properties to support the clearance of the backlog of works under the recovery plan. The work delivered through this contract will help to improve properties occupied by current residents and to move those awaiting council housing into refurbished accommodation.
35. The recommendation is in line with the Council objective of being ruthlessly financially efficient as while void properties remain empty, the Council misses out on rental income and more residents remain on the Housing waiting list, or in Temporary Accommodation, than would be the case if the properties were ready to be let.

*David Hughes, Director of Audit, Fraud, Risk and Insurance, 24 April 2022*

## **Climate and Ecological Emergency Implications**

36. This contract does not use the voids process as an opportunity for carrying out net zero retrofit to street properties. This is a key opportunity for any void street properties, as these:
  - Are among our most energy inefficient stock, with some rated EPC E and F
  - Have been historically overlooked in energy efficiency programmes
  - Avoid costs and disruption from decant of occupants
  - Reduce inefficiencies from returning to the same property to undertake energy efficiency works at a later date.
37. This and other voids contracts that include street properties should strongly consider using this window for retrofit, and whether there is a more efficient moment than this to carry out energy efficiency works to these properties.

*Jim Cunningham, Climate Policy & Strategy Lead, 28<sup>th</sup> April 2022*

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

38. 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. This contract value is £650,000.
39. This paper confirms commitment to including a clause in the contract that at least 10% of proxy value of social value will be delivered and evidenced as part of the services commissioned.

40. 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.
41. 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.

*Implications approved by Oliur Rahman – Head of Employment and Skills, 25<sup>th</sup> April 2022*

## **Consultation**

42. No consultation has been carried out. The contract will stipulate high standards of resident communication throughout the works process.

## **LIST OF APPENDICES**

- Appendix A Equalities Impact Assessment (EQIA)
- Appendix B Medium term plan