

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet Member for Housing and Homelessness – Councillor Frances Umeh

Date: 18/08/2022 (CAB 10/08/2022)

Subject: Procurement Strategy for ad hoc complex void works and complex repairs to council housing stock

Report author: Vince Conway, Senior Programme Manager, Capital Delivery

Responsible Director: Jon Pickstone, Strategic Director for Economy

SUMMARY

This report seeks approval of an overarching Procurement Strategy to source suitable contractors to undertake ad hoc complex void works and complex repairs to the council's housing stock.

RECOMMENDATIONS

1. That the Cabinet Member for Housing and Homelessness approves a Procurement Strategy for the procurement, as required, of suitable contracts to undertake ad hoc complex void works and complex repairs to housing properties. Each contract will be procured and awarded subject to budget availability with contracts having a maximum aggregated value of £2.5m.
 2. To note that there are currently 24 properties requiring complex void works and complex repairs which will vary in scope but the aim will be to make them all available for letting by the end of the 2022/23 financial year. This will contribute to the target of reducing the proportion of void properties to no more than 1% of the stock.
 3. To note further updates on progress will be provided to the Cabinet Member for Housing and Homelessness.
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Wards Affected: All

| Our Values | Summary of how this report aligns to the H&F Values |
|----------------------------|--|
| Building shared prosperity | Each tender process will require suppliers to demonstrate their commitment to social value including how they can support local businesses |

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|---|---|
| Creating a compassionate council | Investment in social housing enables the council to fulfil its landlord function and provide good-quality homes to local people, often the most vulnerable, that are safe, secure and genuinely affordable |
| Doing things with local residents, not to them | The proposal mostly affects void properties but where works impact existing tenants, leaseholders or neighbours they will be fully consulted prior to start on site and updated on progress during the delivery stage. |
| Being ruthlessly financially efficient | Individual projects will be competitively tendered in line with the CSOs applicable to the value threshold. Award will be the basis on the basis of most economically advantageous tender. There will be robust contract management and a strong site presence to ensure quality standards and value for money. |
| Taking pride in H&F | The evaluation criteria set out in the procurement strategy will require contractors to give details of their approach to energy consumption, use of sustainable materials, transport plan, site waste management, and noise pollution. |
| Rising to the challenge of the climate and ecological emergency | Work specifications will be compiled with regard to the council's net-zero carbon targets, installing a range of low carbon measures where feasible. |

Financial Impact

The Housing Capital Programme includes a total budget of £2.706m for Major Voids and Complex Repairs for 4 year approved capital programme (2023/24 – 2025/26).

Whilst the existing Responsive Capital contract with Kier has been the main delivery vehicle for major void works, the service requires the option of alternative routes to market to remove a longstanding backlog and ensure that newly arising voids are tackled promptly. Without addressing this capacity risk, the Council will not be able to deliver on its intended maintenance of the housing stock.

The works will be enhancing Council assets and therefore be capital in nature and there is no significant risk that costs will fall to revenue given officers will have control over which works are handed to the contractors.

This procurement is expected to contribute towards the long term HRA financial strategy through a reduction in revenue repairs and maintenance demands and the maximisation of rental income.

A further report will be required to approve the appointment of contractors at which point, checks on the financial status of the contractors and the payment model will be carried out to ensure any risk to the Council is mitigated.

*Prepared by Llywelyn Jonas, Principal Accountant (Housing Capital), 28/06/2022
Verified by Sukvinder Kalsi, Director of Finance 10/08/22*

Legal Implications

1. The value of the contract is below EU procurement thresholds and so the Public Contracts Regulations 2015 do not apply.
2. It is a high value contract under the Council's Contract Standing Orders (CSOs) and so the procurement strategy should be in accordance with CSOs Section D.
3. The South East Consortium ("SEC") framework is an existing Framework which is compliant with the Public Contracts Regulations and so satisfies the requirements of CSO 19 (Advertising Process for High Value Contracts).
4. This procurement strategy needs to be approved by the relevant Cabinet Member.

Joginder Bola, Senior Solicitor (Contracts & Procurement), 24/05/2022

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Background

1. The council is required to maintain its housing stock in good repair, providing quality homes that are safe and secure and meet tenant aspirations. Effective and timely maintenance is critical in preventing homes from falling into disrepair and this intervention is reliant on the council having ready access to suitably qualified and experienced contractors.
2. Whilst the overwhelming majority of repairs are undertaken by the council's existing term contractors there is at any time a significant number of cases in both void and tenanted properties where the works required fall outside of the scope of the day-to-day service. Where these works cannot be reasonably deferred to planned improvement programmes the council needs to source alternative delivery routes.

3. A Responsive Capital contract is in place to absorb some of this type of work but progress has been protracted and difficult and the number of complex repairs and major voids cases needs to be reduced more quickly. Having ready access to alternative delivery vehicles will assist in tackling this backlog and may also act as incentive to improve performance on the Responsive Capital contract.

Reasons for Decision

4. The decision above is required to initiate procurement processes for the projects and appoint contractors to carry out the works required.
5. An effective delivery vehicle is required to deal quickly with significant building defects when identified in housing properties. Such works are outside of the scope of the day-to-day repairs contracts. Approval of this procurement strategy will enable officers to quickly initiate tender processes for projects as they arise and appoint a contractor to carry out the works identified ensuring homes provide a safe and healthy environment for current and future households.

Contract Specifications Summary

6. The subject properties will include any of the Council's housing social rented stock of over 12,000 homes which require capital investment to ensure they are safe, secure, warm, and weathertight and can be made available for letting. The works required in individual properties will vary but will generally be major in scope and therefore fall outside of the scope of minor pre-letting works undertaken by repairs term contractors. Typical works are expected to include but are not limited to:
 - Structural repairs such as underpinning
 - Major repairs or replacement of roofing, windows, doors
 - Major repairs arising from fire or flood damage
 - Major drainage issues
 - Major damp works
 - Remodelling and major replacement of internal amenities
7. It is anticipated that each contract will be a one-off tender for specific works at each defined property or group of properties. The proposed form of contract will be determined by the scale and complexity of each project but will be a JCT Minor Works Contract 2016 or JCT Intermediate Building Contract 2016 (IC). Both forms of contract have alternatives with Contractor Design if required although that is not anticipated in most cases.
8. The length of each contract will vary, again dependent on the scale and complexity of works. Details will be set out in individual contract award reports.

Procurement Route Analysis of Options

9. **Option1 – Do Nothing.** The works need to be done to ensure the Council meets its statutory obligations as a landlord to provide safe and affordable housing and therefore doing nothing is not an option.
10. **Option 2 – Use the council’s existing contract for capital responsive works.** Whilst this option will continue to be considered this procurement strategy is proposing alternatives under certain circumstances. Use of the contract will be assessed on a case-by-case basis by senior managers within the repairs and capital delivery teams. Factors influencing each assessment will include contractor capacity or performance.
11. **Option 3 – Carry out a tender process using an approved list of local suppliers.** This is the preferred option for low and medium value contracts. A list of suitably experienced local suppliers will be sourced via the H&F Local Supply Chain Project. The pool is reviewed and refreshed on a regular basis.
12. **Option 4 – Use existing South East Consortium (“SEC”) framework to award a contract following a mini-competition or direct award process. This is the preferred option for high value contracts.** The SEC provides a selection of existing compliant frameworks and offers a quicker route to pre-selected suppliers already assessed as suitable for social housing providers. The Council has successfully procured several major refurbishment projects and fire safety schemes via the SEC in the last few years. Previous SEC mini-tender exercises have generated a good breadth of interest which has in turn allowed a robust analysis of mini-tenders to achieve and demonstrate value for money. The option to use the direct award process will be considered where appropriate.

Market Analysis, Local Economy and Social Value

13. The H&F Local Supply Chain Project is a business support project aimed at SMEs in the construction and property maintenance sectors. It aims to help local businesses to benefit as much as possible from investment going into the borough from property developments, as well as procurement by the Council. MTW Consultants Ltd deliver this service for the council and have provided a list of local suppliers which officers consider will be suitable for low and medium value contracts.
14. For high value contracts the proposed SEC framework to be used is the Internal and External Building Works OJEU Ref 2019/S 078-184728 which was awarded 23/10/2019 and expires 22/10/2023. The specific Lot to be used will depend upon the nature and value of works but it is expected that the predominant vehicle will be Lot 1a: Major Refurbishments - Projects up to £1m. This Lot combines multiple workstreams and offers 11 contractors, all of whom have extensive experience in delivering social housing refurbishment projects.

Where a works package estimate exceeds £1m officers would propose to use Lot 1b: Major Refurbishments – Projects over £1m which offers 12 contractors.

Risk Assessment and Proposed Mitigations

- The proposed procurement approach is considered straightforward and low risk in that contracts will be packaged and tendered using a selection of pre-qualified suppliers appropriately resourced for the works in hand.

Timetable

- An estimated timetable of the competition process through to the first contact commencing is shown below.

| | |
|--|-------------------|
| Key Decision Entry (Strategy) | 20 May 2022 |
| Contracts Assurance Board (Strategy) | 10 August 2022 |
| SLT/Cabinet Member Sign off (Strategy) | 18 August 2022 |
| Find a Tender Service Notice (first works package/s) | 26 September 2022 |
| Closing date for clarifications | 17 October 2022 |
| Closing date for submissions | 24 October 2022 |
| Evaluation of Tenders | 21 November 2022 |
| Key Decision Entry (Award – if required) | October 2022 |
| CAB (Award) | 30 November 2022 |
| SLT/Cabinet Member (Award) | 8 December 2022 |
| Find a Tender Service Contract Award Notice | 15 December 2022 |
| Contract engrossment | December 2022 |
| Contract mobilisation and implementation | January 2023 |
| Contract Commencement date | January 2023 |

Selection and Award Criteria

- Each contract will be awarded to the most economically advantageous Tender based on a combination of price and quality. Tenderers for each contract will be evaluated based on their Quality submission (Method statement) and Price (Commercial) submission, the ratio used will be 60% Quality and 40% Price.
- There will be two stages to the evaluation of the quality criteria.
- Stage 1 – Qualification envelope: This contains the minimum requirements for qualification. If a Tenderer does not meet one or more of these minimum requirements it will be rejected. The tenderer will be required to confirm they

have adequate financial standing, insurance, and experience to carry out the works.

20. Stage 2 – Technical Envelope: Quality will be assessed based on a Tenderer’s written responses to the questions set out in the Technical Envelope. The criteria and weighting are as follows:

| Section | Criteria | Weighting |
|---------|---|-------------|
| 1 | Management Structure and Resources | 10% |
| 2 | Planning, Programming and Resourcing of Works | 20% |
| 3 | Quality Control | 23% |
| 4 | Customer Care | 20% |
| 5 | Health and Safety | 10% |
| 6 | Social Value | 17% |
| | Total | 100% |

21. Each method statement will be marked out of a possible score of 5 and the scoring will be based on the general principles and descriptions shown in Table 1 below. A Tenderer failing to score at least 2 for any criteria will be rejected.

| Table 1 – Scoring Scale for Quality Criteria | | |
|---|---------------------|--|
| Score | Rating | Criteria for Awarding Score |
| 0 | Unacceptable (fail) | The information is omitted/no details provided, or irrelevant answer provided. |
| 1 | Poor (fail) | The Council has serious reservations that the Tenderer understands the requirement in the question. The proposal provides very limited evidence and assurance that the relevant aspect of the service would be delivered to the expected standard and there are serious doubts about aspects of the response. |
| 2 | Fair | The submission is superficial and generic in its scope. The Council has some reservations that the Tenderer understands the requirement in the question. The proposal provides some limited evidence and assurance that the relevant aspect of the service or requirement would be delivered to a satisfactory standard. |
| 3 | Satisfactory | The Council is reasonably confident that the Tenderer understands the requirement in the question and the proposal provides some satisfactory evidence and |

| Table 1 – Scoring Scale for Quality Criteria | | |
|---|---------------|--|
| Score | Rating | Criteria for Awarding Score |
| | | assurance that the relevant aspect of the service or requirement would be delivered to a satisfactory standard. |
| 4 | Good | The submission is robust and well documented. The Council is confident that the Tenderer understands the requirement in the question and the proposal provides good evidence and assurance that the relevant aspect of the service or requirement would be delivered to a good standard. |
| 5 | Excellent | The proposal is innovative and adds value. The Council is completely confident that the Tenderer understands the requirement in the question and the proposal provides very good evidence and assurance that the relevant aspects of the service or requirement would be delivered to an excellent standard. |

22. After completing their individual scoring exercise, members of the evaluation team will meet and consider each Tender and a consensus on scoring for each Tenderer's responses to the award criteria will be reached.
23. Each score for a response to an award criterion will be multiplied by the relevant sub-weighting to arrive at a weighted score. Weighted scores will be added together to produce a total score out of 100. The overall quality weighting of 60% will then be applied.
24. Stage 3 – Commercial Envelope: The tender with the lowest total sum will automatically score 100% of the price element in the Commercial Envelope. Thereafter each other Tender is compared against the lowest priced Tender in accordance with the following formula to arrive at a score to one decimal point:

$$(A \div B) \times C = X$$

Where:

A = the lowest submitted price of all Tenders

B = the total price submitted by Tenderer

C = the maximum percentage score i.e. 100%

X = the score for Price

25. The percentages awarded to each Tender for the Price (Commercial Envelope) and Quality (Technical Envelope) elements of the evaluation are added

together to arrive at the most economically advantageous Tender i.e. the Tender with the highest total percentage awarded.

Contract Management

26. The Assistant Director for Residents and Building Safety is the strategic lead for the housing capital programme. The Head of Capital Delivery will lead the operational team overseeing the appointed consultants and contractors.
27. The Head of Capital Delivery will manage the relationship with the multi-disciplinary consultants (MDC) appointed for each project. The MDC will have the role of contract administrator for the works contract and will be responsible for issuing all instructions, variations, notices etc. to contractors. The MDC will also provide Quantity Surveyor services including budget estimate, detailed cost plans, cashflow forecasts, valuation of works, issue of interim contractor payments, and preparation of the final account.
28. Regular project monitoring meetings will be diarised to report on progress to senior management.

Equality Implications

29. It is not anticipated that the approval of these proposals, as set out in the recommendations, will have any direct negative impact on any protected groups under the Equality Act 2010.

Risk Management Implications

30. The report recommends procuring contracts to undertake works to bring void properties back into use through an approved list of local suppliers. This is in line with the Council objective of being ruthlessly financially efficient and building shared prosperity. Officers have stated that the proposal is low risk and have set out clear arrangements for procuring and managing the required contracts.

David Hughes, Director of Audit, Fraud, Risk and Insurance, 15 June 2022

Climate and Ecological Emergency Implications

31. The primary aim of the strategy is to return empty properties to use and deal with longstanding complex repairs affecting the standard of accommodation offered to residents. However, specifications will include measures to improve the energy efficiency of homes where feasible and cost-effective. These could range from minor changes such as new heating controls or low energy lighting through to works with greater impact such as new windows, or insulation to walls, floors and loftspaces.

32. Officers will work with the Climate Change team to complete a climate implications toolkit. In summary, it is expected that modest but long-term benefits can be achieved via this delivery vehicle

Hinesh Mehta – Head of Climate Change – 23/05/2022

Local Economy and Social Value Implications

33. This strategy commits that each procurement will adhere to the Social Value Policy approved by Cabinet on 11th May 2020 and effective from 15th May 2020. Social Value will be a part of the award criteria and, where the contract value is over £100,000, will make up a minimum of 10% of the overall assessment and social value key performance indicators (KPIs) will be part of their contract terms.
34. Bidders will be required to register on Social Value Portal to enter social value quantitative responses. The successful bidder for each contract is responsible for paying the Social Value Portal management fee for the term of the contract.
35. It is recommended that the project lead for each contract works closely with H&F's Social Value Officer and the contractor to agree a delivery plan soon after the award.
36. It is advisable that the commissioner works closely with Legal Services 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, 20 May 2022

Consultation

37. Residents and neighbours will be consulted where impacted by complex repairs or major works to voids. Where necessary there will be consultation with residents within the same building as the void to be worked on to explain the nature and scope of the works, programme, and broad timescales. Residents will receive further correspondence prior to work starting on site, updating them regarding the programme, the scope of works and the level of support in place from officers within the Capital Delivery Team.
38. Whilst the majority of works anticipated will be to tenanted or void properties there may be some cases, such as structural works to a converted street property, where leaseholders may be affected. All relevant Leasehold consultations before, during and after the tender exercises will be strictly adhered to in accordance with legislation and the Council's policy on consultation. A Notice of Intention (NOI) consultation notice will be sent out at appropriate time. A Notice of Proposal (NOP) will be sent out for each project following evaluation of returned tenders. This will include the two lowest bids

from the tendering exercise. In addition, separate meetings will be held with leaseholders before works start on site.

LIST OF APPENDICES

None