

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Jon Pickstone, Strategic Director for The Economy

**Date:** 28<sup>th</sup> September 2022

**Subject:** Responsive capital repairs, disrepairs and voids – Short-term

**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 Cavendish Construction Ltd, who have 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 deliver larger scale, structural and capital repairs, disrepair works and return complex voids to lettable standard.

This is a value and time limited award to support the delivery of repairs and maintenance outcomes in the short term, particularly around more complex and capital works. This is a short-term solution to help maintain good service delivery, whilst longer-term strategies are developed and implemented, such as the procurement of the responsive capital contract.

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## RECOMMENDATIONS

1. To direct award a contract to Cavendish Construction Limited for a maximum value of £600,000 and a contract period of 17<sup>th</sup> October 2022 to 16<sup>th</sup> October 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 for all spend over £100,000. 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 – particularly

	<p>complex voids which have been empty long-term.</p> <p>Additionally tackling the backlog of disrepair cases is crucial to supporting good outcomes for residents and reducing negative impacts.</p>
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. Supporting the backlog of disrepair cases will additionally help to minimise potential further legal costs in this area.
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**

Due to the significant backlog and incoming cases of complex capital repairs and voids, and although there is a recovery plan for the general repairs and voids contractors to address this, the service has advised that a secondary contractor be appointed for relief work in order to support the delivery and stabilisation of the property repairs and maintenance service by picking up works which Morgan Sindall Property Services Ltd do not have capacity to deal with.

This procurement will help to alleviate financial pressures on disrepairs compensation and legal cost revenue budgets as well as the income loss from voids revenue budget. Additionally, returning voids to a lettable condition will help to mitigate the emerging pressures on temporary accommodation costs within the General Fund.

### Nature of work

This additional resource will provide further capacity to complete repairs and deliver on the service's commitment to ensure residents have access to safe housing. The cost is expected to be capital in nature, due to this being works to improve and

refurbish the Council's existing housing stock, directly enhancing the asset value. The table within paragraph 13 sets out more detail on the nature of works.

### Cost and Funding

The cost will be met by the budget for Responsive Capital Works repairs of £7.752m. This budget was recently increased via an internal transfer from the Fire Safety scheme underspend in 22/23. This was approved by the Asset Management Capital Board and at Cabinet in September.

Recent commercial negotiations have separated out disrepair and capital/complex workstreams from the standard Price Per Property model which means these are being paid separately.

There is no commitment to spend on this contract and the service have control over those works that are handed to Cavendish Construction Ltd to complete.

### Contractor financial status

A Credit Safe report was run on 01/08/2022 which provided a risk score of 51 but an annual contract value of £19,000. As this was insufficient to cover the contract in this report, copies of the accounts for the years ending September 20 and September 21 were requested, and the average of the annual turnovers calculated was £4.891m which provided a revised contract limit of £1.497m, which is sufficient for the contract in this report - £400,000 in 2022/23 and 200,000 in 2023/24.

Danny Rochford, Head of Finance Economy.

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*Verified by Sukvinder Kalsi, Director of Finance on 16<sup>th</sup> August 2022*

## **Legal Implications**

This report recommends making a direct award to Cavendish Construction Limited of a contract for responsive repairs and voids services. The proposed contract has a value of up to £600,000. The contract value is below the threshold for works under the Public Contracts Regulations 2015 ('PCR') and a fully compliant procurement is not required under the PCR. However, the Council's own Contract Standing Orders ('CSOs') require that contracts in this value range (Higher Value Contracts) follow a competitive procedure using one of the procedures set out in the PCR, use of a suitable framework or DPS or a tender (CSO 19.1). The recommendation to make a direct award therefore requires a waiver to CSO 19.1 on the ground that the works are required urgently. Provided such a waiver has been approved, the direct award can be made.

Since the proposed award concerns the award of a contract in excess of £300,000, the decision is a Key Decision and must be submitted to Committee Services for publication on the Council's website.

The contract should be a JCT Measured Term Contract prepared by Legal Services. As it is for more than £100,000, the CSOs require the contract to be sealed. Details of the contract (including the sum to be paid under the contract) must be published on Contracts Finder (Local government transparency code 2015).

Provided the contract is a capital (rather than a revenue) contract, the appropriate decision maker is the SLT Member in consultation with the relevant Cabinet Member

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4<sup>th</sup> July 2022

Tel 07919227585

## **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 complex/capital repairs and disrepair works, which have negative impacts on tenants, generate complaints and failure demand and create risk in terms of further legal challenge and cost.
2. There is also a backlog in major and complex/structural voids which have often been empty for long period of time, impacting both LBHF's rental income and meaning that more residents remain on the Housing waiting list, or in Temporary Accommodation, than would be the case if the properties were let.
3. Recovery plans are in place for the responsive repairs and voids contractors to address these backlogs, but additional capacity will accelerate the recovery and support the service to stabilise in the short-term.
4. In addition, recent commercial negotiations have separated out disrepair and capital/complex workstreams from the standard Price Per Property model which means these are being paid separately.

#### Short term solution:

5. It is proposed that Cavendish be procured to enable the immediate acceleration of the recovery of capital/complex repairs and disrepair workstreams and major, complex/structural voids.
6. Cavendish are proposed based on their previous record of effective delivery when working on behalf of the council, their ability to scale up work for the borough in the short-term, and their ability to deliver more complex and larger scale works through effective supply chains and a relatively large direct workforce.

7. Cavendish have worked with LBHF previously, predominantly supporting with larger scale and structural repairs, and have particularly demonstrated effective project management and coordination of these more complex works, which do require a tight project management approach, as well as good quality of works.
8. In addition, they have experience of effective resident liaison around these types of works and understand the council's approach to engaging with and consulting with residents for appropriate works.
9. The intention is that Cavendish will predominantly carry out complex/structural repairs, disrepair works and complex/structural voids to reduce the current backlog and support the recovery of the general repairs and maintenance service.
10. It is important that an organisation with the ability to effectively carry out these more structural type works is appointed to cover a current gap in the service, which can not be fulfilled by any of the other short-term contracts in place.

#### PILOT APPROACH

11. See Appendix A for details on how this will be run and managed as a pilot project, and how it links in to plans and timeframes for a medium-term solution.

#### **Reasons for Decision**

12. To accelerate the recovery of the Responsive Repairs and Voids service, in particular relating to complex repairs and voids and disrepair works.

#### **Contract Specifications Summary**

13. 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>
Cavendish Construction Limited	£600,000	<p>Complex and structural related repairs likely to include:</p> <ul style="list-style-type: none"> <li>• Underpinning</li> <li>• Damp works</li> <li>• Brickwork</li> <li>• Roofing</li> <li>• Complex drainage</li> </ul> <p>Disrepair works as per agreed surveyor reports.</p> <p>Works to complex/structural void properties to bring them up to the LBHF lettable standard, to include</p> <ul style="list-style-type: none"> <li>• Major void works</li> </ul>

		<ul style="list-style-type: none"> <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> <li>• Structural works e.g. underpinning</li> </ul>
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14. The contract 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 these 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 urgently requires additional capacity for complex, structural and disrepair works 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.

19. Direct Award from a suitable framework would be the quickest option. Cavendish are part of the South East Consortium Dynamic Purchasing System (DPS) for voids, and the PFH DPS for responsive repairs and voids but these do not allow Direct Awards. Cavendish's presence on these DPS' do provide additional assurance in regard to their quality and price.
20. The only remaining option is direct award of a contract to Cavendish Construction, and this is the recommendation of this paper.

### **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. 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).
23. A clause will be included in the Cavendish 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 Repairs Client service will be required to complete the forms necessary to register Cavendish with the Social Value Portal.
24. Cavendish have indicated spend through the local supply chain as their social value commitment, identifying local supply branches where they will spend. This is deemed reasonable and realistic due to their need to purchase materials for the disrepair and void works being undertaken.

### **Risk Assessment and Proposed Mitigations**

25. There may be risks arising from the fact that Cavendish will not be as comprehensively integrated into the Council's IT systems as the main repairs contractors. The use of the Northgate Contractor Portal will allow some degree of integration, but it will still mean that Cavendish 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 Cavendish. This issue is mitigated for voids (where there are no tenants to communicate with). It is also likely to be mitigated due to the fact that Cavendish will predominantly be working on complex repairs and disrepair workstreams which are raised by surveyors rather than the Customer Service Centre – minimising contact points.
26. The volume of work given to Cavendish Construction Ltd is controllable and there is no commitment to give them any specific volume. Cavendish 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

27. Please see below for an estimated timetable:

Key Decision Entry (Strategy)	22/06/2022
Contracts Assurance Board	28/09/2022
SLT/Cabinet Member/Cabinet Sign off	03/10/2022
Contract start date	17/10/2022

## Selection and Award Criteria

28. No tender is proposed so there are no formal selection or award criteria.

29. Price mechanisms are described in the table below:

Contract	Pricing mechanism
Cavendish Construction Limited	<p>Natfed Schedule of Rates (SORs) for responsive works (v7) will be used for pricing works. Cavendish will provide an adjustment of + 15% against the SORs and +10% OHP. This is benchmarked against the current service.</p> <p>Any works which sit outside of the NHF will be priced at a basket rate.</p>

## Contract Management

30. The standard of workmanship and service will be monitored and measured by the Repairs and Voids client team. Cavendish 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.

31. 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

- Quality assurance
32. Social Value will be monitored by the Social Value Portal (SVP). Cavendish will be registered with the SVP (and required to pay the annual fee).
  33. Annual inflationary uplifts will not be applied as the contract will not exceed 12 months.

### **Equality Implications**

34. There are no negative equality implications anticipated as a result of this contract.

### **Risk Management Implications**

35. The report recommends awarding a one year contract under waiver to help accelerate the recovery of the Responsive Repairs and Voids service, in particular relating to complex repairs and voids and disrepair works. This will enable void properties to be allocated to those with housing needs on a prompt basis, in line with being a compassionate council. The report identifies a number of risks and appropriate mitigations to cover those risks.

*David Hughes, Director of Audit, Fraud, Risk and Insurance, 6 July 2022*

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

36. In some instances, particularly with street properties, there may be an opportunity to use the voids process to undertake retrofit, avoiding decanting tenants and accelerating delivery of net zero carbon in our housing stock. This approach will be piloted separately from this contract. There is also an urgent need to expedite void turnarounds to ensure much-needed housing is made available to those in need. The pilot will assess whether there are opportunities for both needs to be accommodated.
37. Separately from the voids process, the council is progressing applications for grant funding to retrofit street properties, and the approach to retrofitting this archetype will be addressed in the council's housing retrofit plan currently in development and expected in spring 2023.

*Jim Cunningham, Climate Policy & Strategy Lead, 12<sup>th</sup> October 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.
39. Cavendish Construction has proposed delivering social value by way of local supply chain spend on this contract amounting to a proxy financial value of

10.02% of the contract value. It is confirmed above that the method statement for the delivery of this measure assessed as part of the award is realistic.

40. 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 recommended that the commissioner works with the Legal Service 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, 16 September 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: Pilot Approach – Responsive complex works and voids