

# LONDON BOROUGH OF HAMMERSMITH & FULHAM

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

**Date:** 22/03/2023.

**Subject:** Responsive capital repairs and disrepairs

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

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## SUMMARY

This report sets out the proposed Procurement Strategy and contract award approval to select a contractor based in London with a track record of working effectively for Hammersmith & Fulham to carry out responsive capital repairs and void works. This report recommends calling off a contract through a compliant Construction Framework (The national framework partnership). The call off contract is intended to support an overarching strategy to improve outcomes from the responsive repairs and voids service – specifically by providing additional capacity to undertake voids and to carry out certain types of overdue repairs. Alongside this, whilst the longer-term repairs model is being developed, this contract award will enable us to compliantly secure essential void and repair provision needed to stabilize our supply chain in the medium-term.

This contract is important for residents as the onboarding of this additional capacity will enable us to undertake the necessary maintenance and repairs required to invest and provide safe and decent homes for our residents and move families out of temporary accommodation and into long-term housing.

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## RECOMMENDATIONS

1. To approve the procurement strategy and contract award report to call off a voids and repairs contract via the National Framework Partnership to Cablesheer (Asbestos) Ltd. The contract will be for a maximum value of £4,500,000 over a 36-month duration. The aim is to commence the contract as soon as possible, subject to approval and signing the contract with the provider.
2. To approve the contract award of the contractor selected via the procurement strategy set out in recommendation 1.

**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 have a significant negative impact on our tenants. It is important that backlogs are addressed as tackling the backlog of disrepair cases is crucial to supporting good outcomes for residents and reducing negative impacts. More specifically, this work will help minimize risks associated to building structural safety and health and safety standards which in turn will keep residents safe.
Doing things with local residents, not to them	The contract will stipulate high standards of resident communication throughout the works process in order ensure resident safety and resident voice is emphasized.
Being ruthlessly financially efficient	We have a current contractual relationship with this provider. The rates set within this contract were benchmarked against our incumbent patch contractors and negotiated upon accordingly. With the potential exception of a small overhead fee increase, we will look to hold this provider to our currently agreed rate structure which over the last 6 months, has proven to be good value for money.
Taking pride in H&F	It is important that the Council provides tenants with homes to be proud of and more fundamentally, providing them with homes which are safe.
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

This report aims to deliver additional capacity to undertake voids and eliminate the backlog of capital repairs.

### Nature of work

The service anticipates that approximately 80% of the cost of the works to be undertaken may be capital in nature, with the remaining 20% falling to revenue. The detail of the works is set out in the section “Contract Specifications Summary” and this supports the expectation that a majority of the works will be capital costs, though it is not possible to determine the exact split until the specific works are identified.

### Cost and Funding

Given the maximum annual value of this contract of £1.5m including VAT, the net contract value will be £1.25m. It is estimated that capital costs of £1.0m and revenue costs of £0.250m 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 £1.621m (2023/24 budget). This is because voids works are not covered by the price per property mechanism within these existing contracts and because the high rate of capitalisation applicable to void works reduces the call on the revenue budget. Any increase in the number of voids completed is expected to be contained within the available budget.

The HRA Asset Management & Compliance Capital Programme contains an approved budget for 2023/24 of £3.2m for responsive void capital repairs work. The capital elements of costs related to the works proposed in this report (maximum potential total costs being £1.0m) will be funded from this allocation.

The contract allows for annual cost uplifts based on the Consumer Prices Index (CPI).

### Contractor Financial Status

A Credit Safe report was run for Cablesheer on 01/02/2023 which provided a risk score of 55, above the Council’s minimum requirement of 50. The report only returned an annual contract limit of £0.88m, insufficient for the proposed procurement, however from analysing Cablesheer’s turnover for the last 3 years, we were able to calculate an average turnover of £8.508m, from which we can determine a revised contract limit of £2.808m. This is sufficient to accommodate the annual contract value of £1.25m across the 3 years the contract will be in effect.

### Risks

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.

The expected revenue / capital costs split as well as the level of committed spend overall will be closely and frequently monitored so that any management action required to contain spend can be taken in order not to exceed the available budget.

There is a risk that greater value for money could be achieved through procuring via competitive tender although the contract does provide for regular review of costs and

performance and it is arguable that continuing the relationship with Cablesheer prevents the need to incur the onboarding costs associated with a new contractor.

The Council's housing repairs capitalisation policy has determined that individual works orders valued at £6,800 or above will be deemed to be capital in nature. Works orders below this threshold will be charged to revenue or capital depending on the SOR code allocated to the work completed.

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*Verified By: Danny Rochford, Head of Finance (Economy & Housing Revenue Account) 020 8753 4023*

## **Legal Implications**

The Council has an obligation to carry out repairs to its housing stock, in accordance with its obligations as a landlord under the Landlord and Tenant Act 1985 and as a housing provider under the Housing Act 1985. In view of the backlog of repairs it is incumbent on the Council to carry these out as soon as practicable.

The contract value falls below the threshold for a public works contract under the Public Contracts Regulations 2015 (currently £5,336,937). There are therefore no statutory requirements in relation to the procurement.

This is a high value for the purposes of the Council's Contract Standing Orders. Under CSO 18 the use of a suitable third party framework is a compliant method of procuring a contract of this value. It is a requirement that the terms of the framework are complied with.

The proposal is to appoint the contractor by way of a direct award from the National Procurement Framework (Lot 1 Kent and surrounding region). This framework was procured by way of a competition carried out in accordance with the Public Contracts Regulations. Although the Lot title refers to Kent and surrounding region, LBHF is entitled to call-off under it as it is open to all local authorities, not just those in that area.

The framework allows for both a mini-competition and direct selection in limited circumstances. The direct selection process can be used when there are substantial similarities to a previous project in which the contractor was involved, whether or not this was under the NPF framework. There are substantial similarities between the work to be awarded for this appointment and the work previously undertaken by Cablesheer and referred to in paragraph 4 below. This means that the direct selection process can be used. The terms of the framework are therefore met and this is in compliance with CSO 18.

This is a key decision and needs to be included on the key decision list on the Council's website.

*John Sharland, Senior solicitor (Contracts and procurement) Dated 1st February 2023*

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

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

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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. Per the above, as we want to ensure that we can provide decent and safe housing for our residents (which is of the upmost importance), this contract is critical as we need to onboard additional capacity to meet the demand of jobs. By completing these jobs in a quality and time driven manner we can improve our housing stock capacity and move families out of temporary accommodation and into long-term housing.
3. 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.
4. Recovery plans are in place for the two responsive repairs and voids contractors to address these backlogs, but additional capacity would accelerate the recovery.
5. In May 2022, we gained approval to conduct a direct contract award to Cablesheer Ltd to support with the immediate acceleration of the recovery of capital/complex repairs and disrepair workstreams. Through this contract award they have been undertaking work packages in relation to voids.
6. Cablesheer (Asbestos) Limited are based in LB Bromley and provide several services for LBHF (Void, Repairs, Asbestos removal and Roofing Repairs).
7. Cablesheer have been chosen previously 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). They have also provided a good service in the first 6 months of their 12 month voids contract.
8. 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.

9. The intention is that Cablesheer will continue to 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.
10. As this is medium-term contract award 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 longer-term solution for delivery of the voids service.
11. In addition, it is important to note that this supplier has 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.
12. Cablesheer's current void and repairs contract expires on the 2<sup>nd</sup> of June 2023. To ensure service continuity via proactive supply chain management, we need to secure further capacity until the longer-term repairs model is decided upon and implemented. A three year contract award will enable necessary relief support for the remaining patch contractors contract-term (contracts expire in July 2025) and provide additional time-coverage past this point in order to allow for a smooth transition to our longer term repairs model.

## Reasons for Decision

1. To accelerate and stabilize the recovery of the Void and Responsive Repairs Service.

## Contract Specifications Summary

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

Contract	Contract value	Description of works/services
Cablesheer (Asbestos) Limited	£4,500,000	Works to void properties to bring them up to the LBHF lettable standard, to include <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>• Roof renewals and</li> </ul>

		repair <ul style="list-style-type: none"> <li>• Waterproofing works to balconies</li> <li>• Firestopping works</li> <li>• Firedoors</li> <li>• Sprinkler systems</li> </ul>
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3. The contract will be for a maximum duration of 36 months. The £4,500,000 will be proportioned equally at £1,500,000 per year.

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

4. There are a range of procurement options available to procure providers of these works:
  - Competitive tender
  - Mini-competition call-off from a suitable framework or Dynamic Purchasing System (DPS0)
  - Direct award call-off from a suitable framework
5. 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).
6. 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.
7. These options would also present the risk of ceasing our existing relationship with Cablesheer. Given the strong performance of Cablesheer and the high handover/change costs of demobilizing an existing supplier and onboarding a new supplier, the cost/benefit rationale for this route to market is disadvantageous in ensuing stability, cost-containment and the high certainty of strong supplier performance/ quality delivery.
8. As 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.
9. Calling off from a suitable framework to appoint Cablesheer would offer the best option in terms of offering both speed and administrative robustness and giving a compliant route to enter into a contract. On that note, we propose calling off a 3 year contract for £4,500,000 to Cablesheer via the 'National

Framework Partnership for construction- Lot 1- Construction schemes up to 10m, in and around Kent’.

10. The NFP framework has been selected on several grounds. Firstly, this framework allows for a complaint direct award. Secondly, this framework allows for flexibility regarding the terms and form of contract that we wish to use when commissioning this project. Furthermore, this is the only Framework to which our incumbent supplier Cablesheer Ltd is currently party to and therefore is the only available complaint route to direct award.
11. The only other option is a direct award outside of any framework. This route is less desirable as it would not meet the requirements of Contract Standing Orders.

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

12. Market Analysis is not applicable as this procurement strategy involves no test of the market. It is a strategy for direct award.
13. While Cablesheer are not a Hammersmith and Fulham firm, they are a London based firm.
14. 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**

15. 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).
16. 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

17. Please see below for an estimated timetable:

Key Decision Entry (Strategy)	30/01/2023
Contracts Assurance Board	08/03/2023
SLT/Cabinet Member/Cabinet Sign off	March 2023
Contract start date	April 2023

## Selection and Award Criteria

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

19. The Form of Contract and Price mechanisms are described in the table below:

Contract	Pricing mechanism
JCT Measured Term Contract (2016).	SOR natfed version 7.

## Contract Management

20. The standard of workmanship and service will be monitored and measured by the Repairs client team. The successful contractor 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.

21. 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

22. Social Value will be monitored by the Social Value Portal (SVP). The contractor will be registered with the SVP (and required to pay the annual fee).

23. We will insert a clause in the contract that allows for annual inflationary uplifts to be applied for on each yearly contract anniversary date. The uplift decision

will be based on CPI and any other market relevant factors. The local authority will decide on any uplift payable based on their uplift business case.

## **Equality Implications**

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

## **Risk Management Implications**

25. The report recommends calling off a repairs contract from a competitively procured framework. This is in line with the objective of being ruthlessly financially efficient. Increasing contractor capacity for voids and reactive repairs supports the objective of creating a compassionate council, by ensuring that repairs are carried out on a more timely basis and returning void properties to allocate to families in need of social housing.
26. The report identifies risks associated with appointing the contractor in terms of integration with the housing systems, which is in place for larger contractors, and sets out mitigations to deal with this. Officers will need to ensure that robust contract and programme management arrangements are applied to the contract to ensure that the objectives are delivered.

*David Hughes, Director of Audit, Fraud, Risk and Insurance, 28 January 2023*

## **Climate and Ecological Emergency Implications**

27. As part of the contract award process, we will ask the supplier to provide a method statement detailing their approach towards climate change. This response will be scored on a pass/fail basis. We will also review the delivery of their method statement intentions at contract annual reviews in order to manage their performance and continuous improvement in relation to climate change.
28. The supplier will also be asked to try and prioritise climate outcomes in its social value commitments

*Confirmed by Jim Cunningham, Climate Policy & Strategy Lead, 03/02/2023.*

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

29. It is a requirement that all contracts awarded by the council with a value above £100,000 propose social value commitments as a condition of awarding the contract.
30. Cablesheer has not proposed any social value as a condition of this award. Paragraph 14 states that the supplier will be asked to propose social value commitments after the award of the contract.

*Paul Clarke, Social Value Officer, 2 February 2023*

## **Consultation**

31. The majority of these works are expected to take place within the Void property and there should be no implication for other leaseholders in the building. As there is no requirement to contribute towards non-structural works within tenanted properties, there are no statutory consultation implications for the same.
32. Leaseholders do have to contribute towards any costs the Council incurs in maintaining the structure and the common parts. When individual contributions exceed £250, there must be a formal consultation process with those homeowners. If this does not happen, the Council must cap individual charges to £250 or apply to the First Tier Tribunal for dispensation.
33. Cablesheer is the responsive roof repairs contractor for the borough for a maximum of three years from April 2022. This procurement vehicle was previously formally consulted upon with lessees.
34. If Cablesheer need to carry out roof repairs under this Voids contract, the cost should be priced up under the Roof Repairs contract so the Council is able to recover a proportion of its costs from homeowners. Please note there is no provision under that contract for full roof replacement.

*Comments by Ciaran Maguire, Head of Home Ownership Services, 06/02/2023.*

## **LIST OF APPENDICES**

NONE