

## 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– Medium-term

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

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### SUMMARY

This Procurement Strategy and contract award report 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 and disrepair works.

This is a value and time limited award to support the delivery of repairs and maintenance outcomes in the medium term, particularly around more complex and capital works. This is a short to medium-term solution to help maintain good service delivery, whilst longer-term strategies are developed and implemented, such as the re-procurement of the responsive capital contract which runs out in August 2025.

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 direct award a contract to Cavendish Construction Limited for a maximum value of £4,500,000 and a contract period of 3 years. The contract value will be equally portioned at £1,500,000 per annum.

**Wards Affected:** All

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Our Values	Summary of how this report aligns to the H&F Values
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 we tackle the backlog of disrepair cases is crucial to supporting good outcomes for residents and reducing negative impacts.
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

This report seeks to extend the existing contract of Cavendish Construction for relief work 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. A report was recently presented at CAB to approve £4.5m for procurement via the Fusion 21 Framework for Disrepair work. It has been decided that this procurement will be held temporarily to progress the direct award to Cavendish as a more urgent matter and utilise the available funding which had been allocated to Fusion 21.

### 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 service has advised that the cost is expected to be mainly capital in nature (80%), due to these being works to improve and refurbish the Council's existing housing stock, directly enhancing the asset value as well as extending its life. The table within paragraph 14 sets out more detail on the nature of works.

### Cost and Funding

The cost of £4.5m being inclusive of VAT will mean a net cost of £3.75m, £1.25m per year. Based on the capital / revenue split outlined above, this means that the annual cost will be £1.00m of capital and £0.25m of revenue. This would be a total of £3.00m of capital and £0.75m of revenue across the 3-year contract period.

The capital costs will be funded from the budget for Responsive Capital Works repairs of £7.752m.

The 2023/24 revenue budget for disrepairs works is £0.490m (cost code H78071/H78072/H78073). The service estimate that disrepairs spend through other contractors will be minimal which means there should be sufficient funding to cover the revenue costs arising from this contract.

### Risks

Although Cavendish will be the main contractor for the disrepairs work stream, there is a need to increase capacity to deal with the backlog and incoming disrepair cases. This means that should there be any further significant spend on additional contractors to increase the delivery capacity, this may result in a revenue overspend.

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. The Council has control over the works which are passed to the contractor so the spend can be contained with good management in place.

The Council's works capitalisation policy has determined that individual works orders valued at £6,800 or above will be deemed to be capital in nature. The service has advised that all work orders on this contract are expected to be in excess of £6,800.

### Contractor financial status

A Credit Safe report was run for Cavendish Construction on 09/02/2023 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 - £1.5m per year for 3 years (£4.5m in total).

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

### **Legal Implications**

This report recommends that the Council enter into a contract to the value of £4.5m with Cavendish Construction Limited for works to deal with disrepair to Council properties. The value of the proposed contract is below the threshold (£5,336,937) at which a full tender exercise is required under the Public Contracts Regulations

2015. The Council's Contract Standing Orders (CSO 19.1) require contracts of this value to be procured via a Framework or a tender unless a waiver has been approved by the s151 Officer on recommendation from the Contracts Assurance Board. The Council requires the works to be carried out urgently and does not have the time therefore to use a Framework or to carry out a tender exercise.

The decision is a Key Decision and 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 that decision as shown on the website.

The appropriate decision maker is the Cabinet Member.

*Angela Hogan, Chief Solicitor (Contracts and Procurement) 6th 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's currently a significant backlog of complex/capital repairs and disrepair works which have negative impacts on tenants, generate complaints and increases failure demand pressures and create risk in terms of further legal challenge and cost.
2. Recovery plans are in place for the responsive repairs to address these backlogs, but additional capacity will accelerate the recovery and support the service to stabilise in the short to medium term.
3. 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.
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 to medium term solution:

5. On the 30<sup>th</sup> of September 2022, we awarded a 12-month disrepair and void contract to Cavendish to support with supply chain capacity issues in relation to disrepair and void works. This contract was valued at a maximum of £600,000.

It is forecasted that we will use this allowance within the 12 months contact period.

6. Over the last several months Cavendish have been working well with reducing the backlog of disrepair workorders. Due to cost issues, we have since removed the void work from this contract.
7. It is proposed that we extend this relationship with Cavendish by a further 3 years to allow for the continued acceleration of the recovery of capital/complex repairs and disrepair workstreams.
8. 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 to medium term, and their ability to deliver more complex and larger scale works through effective supply chains and a relatively large direct workforce.
9. Alongside this initial 12 month award in September 2022, 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.
10. 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.
11. The intention is that Cavendish will predominantly carry out complex/structural repairs and disrepair works to reduce the current backlog and support the recovery of the general repairs and maintenance service.
12. 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 cannot be fulfilled by any of the other short-term contracts in place.
13. We are asking that this contract be awarded for three years as this will mean the expiry will coincide with the current patch contractors contract expiry date in the summer 2025 and provide an additional six months coverage past this point in order to support with continuity of service during the handover/transition to the LTRM.

## **Reasons for Decision**

14. To accelerate the recovery of the Responsive Repairs and Voids service, relating to complex repairs and disrepair works.

## **Contract Specifications Summary**

15. 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	£4,500,000	<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>

16. The contract will be for a maximum duration of 36 months.

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

17. 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

18. 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).

19. 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.

20. 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.

21. Direct Award from a suitable framework would be the quickest option. Cavendish are part of the PFH DPS for responsive repairs but these do not allow Direct Awards. Cavendish's presence on these DPS' do provide additional assurance in regard to their quality and price.

22. 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**

23. Market Analysis is not applicable as this procurement strategy involves no test of the market. It is a strategy for direct award.
24. 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).
25. 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.
26. 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 works being undertaken.

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

27. 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. It is 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.
28. 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**

29. Please see below for an estimated timetable:

Key Decision Entry (Strategy)	10/02/2023
Contracts Assurance Board	08/03/2023
SLT/Cabinet Member/Cabinet Sign off	March 2023
Contract start date	April 2023

## Selection and Award Criteria

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

31. 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 +20% OHP for year 1. For year 2 and year 3, OHP will decrease to +10%. 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

32. 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.

33. 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

34. 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).

35. We will insert a contractual clause which allows us to consider paying an annual inflationary uplift based on the provision of a business case. The



business case will be sensitive to relevant inflationary indexes as well other market pressures.

## **Equality Implications**

36. There are no negative equality implications anticipated because of this contract.

## **Risk Management Implications**

1. The report recommends the direct award of a repairs contract to an existing contractor who has a record of effective delivery when working on behalf of the council, are able to scale up work for the borough in the short to medium term to provide much needed additional capacity, and are able to deliver more complex and larger scale works through effective supply chains and a relatively large direct workforce. Increasing contractor capacity for 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.
2. 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, 1 March 2023*

## **Climate and Ecological Emergency Implications**

37. As part of the contract award process, we will ask the supplier to provide a method statement detailing their approach towards climate change. 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.
38. 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**

1. 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.
2. Cavendish Construction has proposed delivering social value by way of local supply chain spend on this contract amounting to a proxy financial value of 10.47% of the contract value.

3. 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 seek remedies if social value commitments are not delivered.

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

## **Consultation**

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

## **LIST OF APPENDICES**

NONE