

LONDON BOROUGH OF HAMMERSMITH & FULHAM

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

Date: 22/03/2023

Subject: Responsive General capital repairs Drainage Works, Windows and Groundworks– Medium-term

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

SUMMARY

This Procurement Strategy and contract award report recommends the direct award of a contract to Core Projects 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 predominantly drainage works with a smaller ad hoc provision for general building works such as windows and grounds work.

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.

RECOMMENDATIONS

1. To direct award a contract to Core Projects Limited for a maximum value of £3,000,000 and a contract period of 3 years. The contract value will be equally portioned at £1,000,000 per annum.

Wards Affected: All

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.
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 although there is a recovery plan for the general repairs contractors to address this, the service has advised that a further contractor be appointed 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.

This procurement will help to alleviate financial pressures from income loss due to void properties as well as the cost of decanting tenants into expensive temporary accommodation.

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 costs are expected to be mainly capital in nature, due to this procurement being for 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

Given the maximum value of this contract of £3m including VAT, the net contract value will be £2.50m. Based on advice from the service, £2m of the costs are expected to be capital, with a further £0.5m revenue in nature. This is equivalent to annual spend of £0.667m of capital costs and a further £0.167m of revenue costs.

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 budget is available 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.

Another similar procurement report has approved Cablesheer (Asbestos) Ltd. as a relief contractor for void works. This contract is expected to cost up to £0.250m per annum in revenue costs and is a commitment against the existing revenue voids budget. There is expected to be a low level of spend from the incumbent general repairs and voids contractors which will allow, with careful management and co-ordination between the service and Finance, the cost of both procurements and the existing contractor spend to be contained within the budget envelope.

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 £0.667m per annum on average) will be funded from this allocation. A further report awarding Cablesheer (Asbestos) Ltd. the relief work for void properties means there will be a further £1m of spend committed, however, the anticipated costs can be contained within this budget.

Contractor financial status

A Credit Safe report was run on Core Projects Ltd. on 07/03/2023. The report provided a risk score of 62 and an annual contract limit of £0.0375m insufficient for the procurement in this report.

However, the Council's financial exposure will be mitigated as 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 level of committed spend will also be limited at any point in time during the contract in order to limit financial exposure.

Risks

Recent commercial negotiations have separated out capital/complex workstreams from the standard Price Per Property model which means these are being paid separately and costs are not being duplicated.

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 Core Projects 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.

*Implications prepared by: Llywelyn Jonas, Principal Accountant – Housing Capital.
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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 these works pursuant to its obligations as a landlord under the Landlord and Tenant Act 1985 and a housing provider under the Housing Act 1985. The backlog of works creates risks of legal challenge to compel the Council to carry out its obligations and complaints to the Housing Ombudsman. There is therefore a need to accelerate the process for addressing the backlog.

The contract will be on the basis of the JCT Measured Term Contract 2016 which does not impose an obligation on the Council to award work under it. A provision for inflationary adjustments could be included in the contract as suggested in paragraph 20 below.

The value of this contract is below the threshold for a public works contract under the Public Contracts Regulations 2015. There are therefore no statutory requirements in relation to the award of this contract.

This is a high value contract for the purposes of the Council's Contract Standing Orders. CSO 18 requires a competition for contracts of this value. A waiver of Contract Standing Orders is therefore required for a direct award.

This is a key decision for the purposes of the Council's Constitution. It needs to be included in the list of key decisions on the Council's website.

*John Sharland, Senior solicitor, Contracts and procurement
3 March 2023*

Background Papers Used in Preparing This Report

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

DETAILED ANALYSIS

Background

1. There's currently a significant backlog of voids, 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. Over the last three years LBHF have been using Core Projects to support us with a range of general building works. This has been via an off-contract arrangement. Over the last 12 months we have spent £221,924.80 with this provider. This spend has predominantly been for adhoc works involving roofing and drainage work.
6. During this time, Core Projects limited have responded well to work orders issued and on this basis, Core Projects LTD are proposed as an additional relief contractor 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 the fact that they complement our wider short-medium term supply chain for voids, disrepair and capital repair works.
7. 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.

8. The intention is that Core Projects will predominantly carry out work orders in relation to drainage, windows, and grounds work in order to reduce the current backlog and support the recovery of the general repairs and maintenance service.
9. We are asking that this contract be awarded for two years as this will mean the expiry will coincide with the current patch contractors contract expiry date in the summer 2025.

Reasons for Decision

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

Contract Specifications Summary

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

Contract	Contract value	Description of works/services
Core Projects Ltd- JCT measured term contract	£3,000,000	General building work relating to: <ul style="list-style-type: none"> • Drainage • Plumbing and RW services • Roofing • Grounds work • Windows Specific volumes of works will be agreed via work order instruction.

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

Procurement Route Analysis of Options

13. 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
14. 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).

15. 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.
16. 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.
17. Direct Award from a suitable framework would be the quickest option. That said Core Projects Ltd are not signed up to any frameworks. Core Projects Ltd could join a DPS however these do not allow Direct Awards.
18. The only remaining option is direct award of a contract to Core Projects Ltd Construction, and this is the recommendation of this paper.

Market Analysis, Local Economy and Social Value

19. Market Analysis is not applicable as this procurement strategy involves no test of the market. It is a strategy for direct award.
20. 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).
21. A clause will be included in the Core Projects 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 Core Projects with the Social Value Portal.

Risk Assessment and Proposed Mitigations

22. There may be risks arising from the fact that Core Projects Ltd 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 Core Projects Ltd 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 Core Projects Ltd. It is likely to be mitigated since Core Projects Ltd will predominantly be working on complex repairs and disrepair workstreams which are raised by surveyors rather than the Customer Service Centre – minimising contact points.
23. The volume of work given to Core Projects Ltd is controllable and there is no commitment to give them any specific volume. Core Projects Ltd 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

24. Please see below for an estimated timetable:

Key Decision Entry (Strategy)	07/03/2023
Contracts Assurance Board	08/03/2023
SLT/Cabinet Member/Cabinet Sign off	April 2023
Contract start date	April 2023

Selection and Award Criteria

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

26. Price mechanisms are described in the table below:

Contract	Pricing mechanism
Core Project Ltd- JCT measured term service contract.	A mixture of NHF V7 and their own pricing schedules for cost units which are not on NHF V7. These cost units have been verified by our client team.

Contract Management

27. The standard of workmanship and service will be monitored and measured by the Repairs and Voids client team. Core Projects Ltd 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.

28. 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 required information every job, proving quantity and quality
- Resident satisfaction
- Quality assurance

29. Social Value will be monitored by the Social Value Portal (SVP). Core Projects will be registered with the SVP (and required to pay the annual fee).
30. 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

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

Risk Management Implications

32. 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.
33. 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, 2 March 2023

Climate and Ecological Emergency Implications

34. The supplier will be asked to identify and where agreed carry out opportunities to disconnect downpipes, to delay or divert rainwater from entering the sewer. This helps to reduce surface water flood risk and delivers on the 'adapting to climate change' workstream of H&F's Climate and Ecology Strategy.

Verified by: Jim Cunningham, Climate Policy & Strategy Lead, 3rd February 2023

Local Economy and Social Value Implications

1. It is a requirement that all contracts awarded by the council with a value above £100,000 propose social value contributions that are additional to the core services required under the contract. This proposal should be assessed as reasonable and the commitments amount to at least 10% in value of the price of the contract before the contract is awarded.

2. Core Projects proposed employing a local resident in a newly created full-time administrator role as well as including local suppliers in the supply chain with packages and potential local suppliers for these packages explored. This is a detailed proposal. The proxy financial value of the proposals amount to £1,293,477.16 which is 43.1% of the contract price.
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 enforce its right to financial remedies if social value commitments are not delivered.

Verified by Paul Clarke, Social Value Officer, 7 March 2023.

Consultation

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

LIST OF APPENDICES

NONE