

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

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

**Date:** 20/07/2023

**Subject:** Contract award approval for Axis Europe PLC General Building contract

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

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### SUMMARY

This contract award report recommends the direct award of a contract via the Fusion 21 Reactive Repairs and Empty Buildings Framework, Lot 4 'Housing disrepair works' to Axis Europe PLC.

The direct award approval follows our recently approved procurement strategy report which is intended to support an overarching strategy to improve outcomes from the responsive repairs service – specifically by providing additional general building capacity to support on the delivery of larger scale, structural and capital repairs, voids and disrepair works.

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.

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 into long-term housing.

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### RECOMMENDATIONS

1. To note that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. To direct award a 'General Building Works' contract for a maximum value of £4,500,000 for a contract period of 36 months to Axis Europe PLC. The contract will look to apportion the spend equally at £1,500,000 per annum across the 3-year contract period. We aim to incept the contract as soon as allowable.

## 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 and 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 voids and 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	This framework category evaluated suppliers using the Most Economical and Advantageous Tender criteria (MEAT) which ranked suppliers based on 40% cost / 60% quality. We will look to direct award to the highest ranked suppliers first. Supporting the backlog of voids and disrepair cases will additionally help to minimise potential further legal and compensation 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, the service has advised that further contractors must 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 and Mears Ltd do not have capacity to deal with.

This award will help to alleviate financial pressures on disrepairs compensation and legal cost revenue budgets and help increase the speed of voids being returned back to service, returning homes to income generation and reducing the need for expensive decant 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 cost is expected to be mostly capital in nature, as the works relate to improving and refurbishing the Council's existing housing stock, directly enhancing the asset value.

### **Cost and funding**

Given the maximum value of this contract of £4.5m including VAT, the net contract value will be £3.75m. It is estimated that capital costs of £3.0m and revenue costs of £0.75m may be incurred. This is equivalent to an average of £1.0m of annual capital spend and a further £0.25m of annual revenue spend during the 3-year contract term.

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 disrepair-related revenue costs arising from this contract. There has been a further procurement award to Cavendish, as a relief contractor for disrepairs, for an expected annual revenue cost of £0.250m. With careful management and co-ordination between the service and Finance, the cost of both procurements and the existing contractor spend will need to be contained within the approved revenue disrepairs budget allocation.

The revenue 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 and Compliance Capital Programme contains an approved budget for 2023/24 of £3.2m for responsive void capital repairs work as well as £7.752m for Responsive Capital Repairs. The capital elements of costs related to the works proposed in this report (maximum average annual costs being £1.0m) will be funded from these allocations, dependent on the workstream. A further report awarding a contract the relief work for void properties means there will be a further £1m allocated against this budget. In addition, Cavendish were appointed as relief contractor for capitalisable (enhanced) disrepairs (maximum

value of £1m). Taking these procurements together, the anticipated costs can be contained within the available budgets with robust monitoring processes in place supported by both Finance and service.

Recent commercial negotiations have separated out disrepairs and capital/complex workstreams from the standard Price Per Property model which means these are being paid separately and not being duplicated within the existing LTRM general repairs and voids contracts.

There is no commitment to spend on this contract and the service have control over those works that will be handed to the chosen supplier to complete.

### **Contractor financial status**

Appointment will be dependent on the chosen supplier passing a financial status check (using CreditSafe). This will be conducted by the Finance Team immediately prior to contract award stage.

*Implications prepared by: Llywelyn Jonas, Principal Accountant – Housing Capital, 6 March 2023*

*Verified By: Danny Rochford, Head of Finance (Economy & Housing Revenue Account), 8 March 2023*

### **Legal Implications**

The Council has an obligation as a landlord to keep its housing stock in repair under the Landlord and Tenant Act 1985 and as a housing provider under the Housing Act 1985.

The value of these works is below the threshold for this contract to be a “public works contract” under the Public Contracts Regulations 2015. There are therefore no statutory requirements governing this procurement.

This is a high value contract under the Council’s Contract Standing Orders. The use of a suitable framework in accordance with its terms is a compliant means of procuring these works. The Fusion 21 framework allows for direct awards having regard to the factors set out in the terms of the contract which includes the Council’s requirements and business needs by reference to the specification for the works. The requirements of CSO 18 have therefore been complied with.

This is a “key decision” for the purpose of the Council’s Constitution and will need to be included within the key decision list on the Council’s website.

*John Sharland, Senior solicitor (Contracts and procurement)  
Dated 16 June 2023*

### **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 and voids, which have negative impacts on tenants, generate complaints and failure demand and create risk in terms of further legal challenge and cost. Furthermore restoring voids levels to a manageable level will reduce rental income loss for the Housing Revenue Account and also reduce demand for temporary accommodation which is most often a cost to the General Fund.
2. Recovery plans are in place for the responsive repairs contractors to address these backlogs, but additional capacity will accelerate the recovery and support the service to stabilise in the short-term.
3. 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:

4. We have proposed five additional routes to market which will enable further contractors to be procured. This additional capacity will offer a short/medium strategy to support the immediate acceleration of the recovery of capital/complex repairs and disrepair workstreams.
5. In relation to this report (which is report 4 of 5), we are proposing onboarding an additional general building works contractor to our supply chain. This capacity will be used to support with both voids and disrepair works.
6. In April 2023, Lot 4 of the Fusion 21 framework was agreed as a route to market as this category has been specifically designed to enable procurement (via direct award or competition) of a housing disrepair contractor.
7. Since then, we have liaised with the Framework Manager at Fusion 21 to run a direct award framework call-off which detailed our commissioning need. This exercise resulted in 'expressions of interest' from several LOT-providers (please see appendix 1 detailing this).
8. Per the Framework guidance we engaged with the highest ranked bidder first (Axis Europe PLC). During this engagement we confirmed contact particulars and onboarding arrangements and are now able to proceed to contract signature.
9. Per appendix one 'Direct Award report', Fusion 21 recommend that we progress with Axis Europe PLC based on due diligence checks and due to the fact that they are the highest ranked bidder.

10. This report seeks approval to proceed to contract signature stage. We are aiming for a 1 July 2023 contract start date.

### Reasons for Decision

11. To accelerate the recovery of the Responsive Repairs, relating to disrepair and void works.

### Contract Specifications Summary

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

Contract	Contract value	Description of works/services
	£1,500,000 million a year, for three years. Total contract value= £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>Works as per agreed surveyor reports.</p> <p>Works to complex/structural properties to bring them up to the LBHF lettable standard, to include</p> <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</li> <li>• Boiler installs</li> <li>• Roof renewals and repair</li> <li>• Waterproofing works to balconies</li> <li>• Firestopping works</li> <li>• Fire doors</li> <li>• Sprinkler systems</li> <li>• Structural works e.g. underpinning</li> </ul>

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

## Risk Assessment and Proposed Mitigations

14. There may be risks arising from the fact that the supplier 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 the supplier 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 the supplier. It is also likely to be mitigated due to the fact that the supplier will predominantly be working on complex repairs and disrepair workstreams which are raised by surveyors rather than the Customer Service Centre – minimising contact points.
15. The volume of work given to the supplier is controllable as the contract will have a clause which stipulates that there is no commitment to give them any specific work volume. The level of work the supplier ultimately receives 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.
16. Our current JCT contracts allow us to remove existing work orders from the contract specification without financial penalty. We intend to use this clause within this contract.

## Timetable

17. Please see below for an estimated timetable:

Key Decision Entry (Strategy)	09/02/2023
Contracts Assurance Board for Procurement Strategy Report	08/03/2023
SLT/Cabinet Member/Cabinet Sign off	March 2023
Contract Assurance Board for Contract Award Report	28/06/2023
Cabinet Member Sign-Off for contract award	29/06/ 2023
Contract start date	03/07/2023

## Selection and Award Criteria

18. This was a single tender award via a framework – the suppliers met formal selection criteria in order to secure a place on the framework. The award is made to the highest-ranking provider who had capacity to meet our needs. T

19. Price mechanisms are described in the table below:

<b>Contract</b>	<b>Pricing mechanism</b>
JCT 2016 MT Contract	SOR natfed version 7.2

## **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 required information for 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 a procurement strategy to call off repairs contracts 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 timelier basis and returning void properties to allocate to families in need of social housing.
26. The report identifies risks associated with appointing contractors in this way, 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 contracts to ensure that the objectives are delivered.

*David Hughes, Director of Audit, Fraud, Risk and Insurance, 28 June 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.
29. Requirements from providers around decarbonisation will be developed as part of the long-term repairs model and included in the future procurement of longer term contracts.

*Verified by: Jim Cunningham, Climate Policy and Strategy Lead, 3 February 2023*

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

30. It is a requirement that all contracts awarded by the council with a value above £100,000 provide social value commitments that are additional to the core services required under the contract.
31. For a direct award, the supplier should propose social value measures to a proxy value of at least 10% of the price of the contract, as well as method statements as to how these measures will be delivered, which should be assessed as reasonable before the award of the contract.
32. 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 remedies if the social value commitments are not delivered.

## **Consultation**

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

## **LIST OF APPENDICES**

Appendix 1- Fusion 21 Framework Direct Award Report