

LONDON BOROUGH OF HAMMERSMITH & FULHAM

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

Date: 20/07/2023

Subject: Disrepair Works Contract Award for MILESTONE CONTRACTING LIMITED, via the Fusion 21 Framework

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

Responsible Director: Jon Pickstone, Strategic Director for Economy

SUMMARY

In November 2022, the social housing regulator issued an instruction to housing providers to ensure that necessary damp and mould remedial work is undertaken at tenant's homes. This has resulted in a vast increase in the work needed to be undertaken by the team. Our current term-service contractors do not have the capacity to meet this increase in demand and therefore we need to onboard additional capacity with immediate effect to deliver the repairs in a timely and effective manner.

The direct award approval to MILESTONE CONTRACTING LIMITED 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 capacity to support on the delivery of 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 and into long-term housing.

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 To note that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that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. Direct award a 'Disrepair Works' contract for a maximum value of £4,500,000 for a contract period of 36 months to Milestone Contracting Limited. 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

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 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 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 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

Financial impact

Due to the significant backlog and incoming cases of complex capital repairs, the service has advised that further contractors (to add additional capacity alongside the current relief contractor) 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.

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

The cost will be met by the budget for Responsive Capital Works repairs of £7.752m. 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.

The work required for an individual property on the Disrepair workstream will have an expected capital element of at least 70%+. Therefore, the yearly capital revenue split will be £1.05m for capital and £0.45m for revenue. Across the entire three-year contract, this would involve a split of £3.15 million for capital and £1.35 million for revenue. There will only be one contractor managing this work stream and due to the nature of the Disrepair works we anticipate the majority of job values to be above the £6,000 that is currently our threshold for works to qualify as 100% capital spend.

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

Llywelyn Jonas, Principal Accountant (Housing Capital), 31 January 2023

Verified by: Danny Rochford, Head of Finance (Housing Revenue Account and Economy), 31 January 2023

Legal implications

The Council has a duty to undertake this works to comply with its obligations as a local housing authority under the Housing Act 1985 and as a landlord under the Landlord and Tenant Act 1985.

This is a works contract and below the threshold for the Public Contracts Regulations 2015 to apply. There are therefore no statutory provisions governing the procurement.

This is a high value contract under the Council's Contract Standing Orders. The use of an appropriate third party framework is a compliant method of undertaking a procurement for a contract of this value. The requirements of CSO 18 have therefore been met by following this strategy.

Because of the value of the contract this is a "key decision" under the Council's Constitution and needs to be published on the key decision list on the Council's website.

John Sharland, Senior solicitor (Contracts and procurement)
Dated 23 June 2023

Background Papers Used in Preparing This Report

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

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. 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. It was proposed that a further contractor be procured to enable the immediate acceleration of the recovery of capital/complex repairs and disrepair workstreams.

5. In April 2023, use 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.
6. 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) within the 'Reactive Repair and Empty Building Lot 4 Disrepair' lot.
7. Per the Framework guidance we engaged with the highest ranked bidder first (Milestone Contracting LTD). During this engagement we confirmed contact particulars and onboarding arrangements and are now able to proceed to contract signature.
8. Per appendix one 'Direct Award report', Fusion 21 recommend that we progress with Milestone Contracting LTD based on due diligence checks and because they are the highest ranked bidder.
9. This report seeks approval to proceed to contract signature stage. We are aiming for a 1 July 2023 contract start date.

Reasons for Decision

10. To accelerate the recovery of the Responsive Repairs, in particular relating to 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
	£1,500,000 million a year, for three years. Total contract value= £4,500,000.	Complex and structural related repairs likely to include: <ul style="list-style-type: none"> • Underpinning • Damp works • Brickwork • Roofing • Complex drainage Works as per agreed surveyor reports. Works to complex/structural properties to bring them up to the LBHF lettable standard, to include

		<ul style="list-style-type: none"> • Kitchens and bathroom repairs and renewals • Asbestos encapsulation and removal • Gas/heating servicing and repair • Boiler installs • Roof renewals and repair • Waterproofing works to balconies • Firestopping works • Fire doors • Sprinkler systems • Structural works e.g. underpinning
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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 was 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. The supplier will be qualified and ranked as part of the Fusion21 Reactive Repairs and Empty Buildings Framework. The supplier will have been granted a place

on LOT 4 'Housing Disrepair works - Property repair and improvements resulting from housing disrepair legislation'. They will receive a ranked position based on the Most Economical and Advantageous Tender criteria (MEAT) which ranked suppliers based on 40% cost / 60% quality.

18. The only other option was a direct award outside of any framework. This route is less desirable than a call off through a competitively tendered framework as it would not meet the requirements of Contract Standing Orders.

Risk Assessment and Proposed Mitigations

19. 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.
20. 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.
21. 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

22. Please see below for an estimated timetable:

Key Decision Entry (Strategy)	15/12/2022
Contracts Assurance Board for Procurement strategy report	08/02/2023
Cabinet Member	29/03/2023
Contract Assurance Board for Contract Award Report	28/06/2023
Cabinet Member sign-off for Contract Award Report	29/06/2023
Contract start date	01/07/2023

Selection and Award Criteria

23. 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.
24. Price mechanisms are described in the table below:

Contract	Pricing mechanism
JCT 2016 MT Contract	SOR natfed version 7.2.

Contract Management

25. 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.
26. 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
27. 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).
28. 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

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

Risk Management Implications

30. The report recommends awarding a three-year contract through a competitively procured framework to help accelerate the recovery of the Responsive Repairs service, in particular relating to disrepair works. Failing to have appropriate resource and capacity in place to deal with disrepair works puts the Council at risk of legal challenge, additional costs and reputation damage. The report

identifies a number of risks associated with awarding the contract in this way and sets out appropriate mitigations to cover those risks.

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

Climate and ecological emergency implications

31. 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.
32. The supplier will also be asked to try and prioritise climate outcomes in its social value commitments.

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

Local economy and social value implications

33. 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.
34. The supplier will be required to set targets on Social Value Portal and to pay the relevant fee for effective monitoring and reporting.
35. 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.

Consultation

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

LIST OF APPENDICES

Appendix 1- Framework Direct Award Report.