

LONDON BOROUGH OF HAMMERSMITH & FULHAM

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

Date: 16/08/2023

Subject: Planned Preventative Maintenance – extension of the local contractor pilot for Fraser Water Services Ltd

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

Responsible Director: Jon Pickstone, Strategic Director for Economy

SUMMARY

This Procurement Strategy and contract award report recommends a 12-month extension of the Fraser Water Services Ltd pipe replacement pilot contract. The extension is intended to facilitate the continued Planned Preventative Maintenance programme across the borough's housing properties to replace pipework, often installed at the time of the buildings' construction, that is now severely degraded leading to circa 24% of repairs about leaks and a similar number about damp and mould. This has the potential to reduce future repairs demand.

Fraser Water Services Ltd are a trusted party, locally based with many years' invaluable experience and knowledge of our building stock and plumbing infrastructure. The company is small with a workforce of just over 10 operatives but very responsive and continually evidenced provision of resolution to long standing complex leaks.

This is a limited value award to enable work to proceed during the summer months. In May 2022, we awarded a one-year pilot to Fraser Water Services Ltd for the same scope of works and during this period they performed well against their KPIs. On this basis, we want to continue working with them, at least in the short-term, whilst our longer-term repairs model is commissioned and rolled out .

RECOMMENDATIONS

1. To extend the contract with Fraser Water Services Limited for a maximum value of £500,000 and a contract period of 1 August 2023 to 31 July 2024.
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Wards Affected: All

Our Values	Summary of how this report aligns to
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	the H&F Values
Building shared prosperity	The contractors will be required to deliver Social Value equivalent to 10% of the contract values. This should have a positive impact on local wellbeing prosperity.
Creating a compassionate council	Leaks have a significant negative impact on our tenants. It is important that the root causes are addressed. This contract will therefore provide services that support our resident's overall wellbeing.
Doing things with local residents, not to them	When the need for in-property planned preventative maintenance is identified (e.g. replacing pipework) then an appointment will be made with the residents and a full assessment of the issue will be undertaken. A letter will be sent to the residents informing them of what works are to be undertaken and why and they will be provided with a direct contact into the team so they can discuss any issues they are having. The contract will stipulate high standards of resident communication throughout the works process.
Being ruthlessly financially efficient	When the contract was initially let, the prices set in the contract were rigorously negotiated and benchmarked upon. Further to this, this contractor is holding their rates and therefore this contractor resembles further value for money as we have avoided inflationary uplifts, which at present are both high (circa 9-15%) and widespread within the construction and repair industry,
Taking pride in H&F	Planned Preventative Maintenance is about investing in our housing stock so that we provide our tenants with homes to be proud of.
Rising to the challenge of the climate and ecological emergency	Proper planned preventative maintenance is more carbon efficient than multiple 'sticking plaster' repairs. At present the council is directing hundreds of attendances to properties afflicted by

	repeated leaks which means multiple van visits. Reducing repairs demand through planned preventative maintenance will reduce carbon emissions.
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Financial Impact

The Officer's Decision Report dated 06/04/2022 approved £1m of capital funding for the Planned Preventative Maintenance Programme, which included £0.5m for Fraser Water Services, £0.3m for CCR Property Services Ltd. and £0.2m for AJF Heating.

As at March 2023, the works of CCR Property Services have been entirely revenue and AJF Heating have not completed any works, therefore the capital allocation for these contractors (£0.5m total) can be used to fund the proposed extension to Fraser Water Services.

A credit report was produced for Fraser Water Services Limited via CreditSafe on 17 March 2023 that shows they have a risk score of 44, which is below the Council's minimum required score of 50. They have provided a profit and loss statement for the year ending 31 March 2022 which shows the turnover is £1.839m. This is above the Council's minimum requirement of double the proposed maximum value of award to them which is £500,000.

In order to minimise the risk to the Council, the service has confirmed that works will continue to be commissioned in controlled smaller batches and that payment will be made in arrears following inspection and satisfaction that the works have been completed to the required standard.

*Implications prepared by: Llywelyn Jonas, Principal Accountant - Housing Capital
Confirmed by Danny Rochford on 31/03/2023.
Verified by Sukvinder Kalsi, Strategic Director of Finance, 10/05/2023.*

Legal Implications

The Council has an obligation to undertake these works pursuant to its responsibilities as a landlord under the Landlord and Tenant Act 1985 and as a housing provider under the Housing Act 1985.

These works are below the threshold to constitute a "public works contract" under the Public Contracts Regulations 2015. There are therefore no statutory provisions governing the procurement of these works or the variation of this contract.

The extension of contracts is permitted under the Council's Contract Standing Orders (CSO 25) and contracts which do not provide specifically for an extension can be varied to allow for an extension.

The original award and the contract terms do not make specific provision for the extension. This means that the proposed extension needs to be treated as a

modification under CSO 24. Since the increased value is more than 10% of the contract value the extension needs to be approved by the Senior Leadership Team Member under CSO 24.3.4.

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

John Sharland, Senior solicitor (Contracts and procurement)

Dated 27 March 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. In May 2022 we onboarded Fraser Water Services Ltd to undertake a range of asset replacement services in relation to tackling the root cause of leaks within our housing stock.
2. Fraser Water Services Ltd was chosen based on their record of effectiveness when commissioned by the Council in the past (either directly for the Council or as sub-contractors of bigger contractors). Fraser Water Services Ltd are London based and have many years' experiences working in H&F, and an in-depth knowledge of our plumbing infrastructure. They have demonstrated repeatedly their ability to resolve longstanding complex repairs from tracing buried rotting pipework within walls to identifying poor connections between services.
3. Over the last 12 months, the output of Fraser Water Services Ltd has continued to be effective in accelerating the pipe replacement programme with the contractor performing excellent against their KPIs (time and effective response), low resident complaints, and contract specification.
4. The pipework in our buildings is the original, and in many cases, it is completely rotten leading to leaks within the structure of the building that are hard to trace and find their way to weak spots such as ceiling light fittings. Upgrading the pipework is the only way to prevent ongoing and worsening of leaks and to proactively eliminate future repairs, damp and mould.
5. To continue momentum in our planned preventative maintenance of pipe replacements (and avoid the several downsides to repairs stemming from lack of maintenance), we propose extending the contract by a further 12 months

until the 30 April 2024. We anticipate the total value of this extension not exceeding £500,000.

6. The contractor has agreed to the extension on existing contractual rates. This resembles very good value for money as their initial contract rates were benchmarked against the market (and considered good) and furthermore, whilst most facility management and construction contracts are inflating at around 9-15% (depending on the inflation index used), this contract is avoiding this additional cost inflation.
7. From a strategic commissioning point of view, we will use this time afforded to us by the additional 12-month award to factor in how best to configure planned preventative maintenance into our re-commissioning project in relation to the long-term repairs model.

Reasons for Decision

8. To continue acceleration of the Planned Preventative Maintenance programme across the borough's housing properties in relation to replacing pipework.

Contract Specifications Summary

9. See table below for a description of the works or services being extended:

Contract	Contract value	Description of works/services
<p>JCT Measured Terms-service contract (2016): This contract details the scope of works and contract particulars surrounding the issuing of work orders.</p>	<p>The contract value is £500,000.</p> <p>Pricing methodology: These works will be costed via a schedule of rates. This rate schedule will provide a list of works allowed under the contract and an agreed costed rate against each item.</p>	<p>This is a responsive service based on ongoing monitoring of leak related repairs, and data analysis of demand hot spots. The Mechanical and Electrical Engineering service will identify properties requiring a full assessment by Fraser Water Services Ltd and then will specify the works required.</p> <p>Fraser Water Services Ltd will then be commissioned to carry out the following services:</p> <ul style="list-style-type: none"> > the removal of all aged copper piping within the voids of the property and replace with plastic piping, > fire stopping within the void to the service riser, > inspection of the hidden services within the riser, > reinstate walling and tiling whilst providing access for future

		<p>maintenance.</p> <ul style="list-style-type: none"> > adding localised isolation points to water supplies, > provide detailed report on works undertaken.
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10. This contract extension award will be for a maximum duration of 12 months.

Procurement Route Analysis of Options

11. There are a range of procurement options available to procure providers of planned preventative maintenance works:

- Competitive tender
- Mini-competition from a suitable framework or Dynamic Purchasing System
- Direct award from a suitable framework
- Extend the current contract

12. 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).

13. 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.

14. The service is aiming to continue the programmes in May 2023 to 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.

15. Direct award from a suitable framework would be the quickest option. However, Fraser Water Services Ltd is not part of any frameworks or Dynamic Purchasing System (due to their small size).

16. Given the points (paragraph 2-4) raised in the background section of this report in relation to continuing with Fraser Water Services Ltd in order to maintain positive continuity of service, the only remaining option is to extend the current contract via an additional 12-month award.

Market Analysis, Local Economy and Social Value

17. Market Analysis is not applicable as this procurement strategy involves no test of the market. It is a strategy for direct award.
18. Although the contractor is not a Hammersmith and Fulham based firm, they are London based. Fraser Water Services Ltd has Hammersmith & Fulham residents among their employees.
19. 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 Themes Outcomes and Method Statements matrix). A clause was included in the original contract to cover this requirement. Contract managers from the Mechanical and Electrical engineering service will be required to monitor the contractor's achievement of proposed social value.

Risk Assessment and Proposed Mitigations

20. There may be risks arising from the fact that Fraser Water Services Ltd is a relatively small firm. Fraser Water has a turnover of £1.5m and 10 operatives.
21. The mitigation is that the volume of work given to this contractor is controllable and there is no commitment to give them any specific volume. This contractor has proven competent in the past with the same value of contract works and the level of work they ultimately get will be determined by the quality of their workmanship and service.

Timetable

22. Please include an estimated timetable of the competition process through to contact commencing.

Key Decision Entry (Strategy)	17/03/2023
Contracts Assurance Board (Strategy)	19/04/2023
SLT/Cabinet Member/Cabinet Sign off (Strategy)	13/07/2023
Contract Extension Commencement date	Retrospective award for the contract period 2 May 2023 to 30 April 2024.

Selection and Award Criteria

23. No tender is proposed so there are no formal selection or award criteria. There will be no evaluation of Social Value.
24. Price mechanisms are described in the table below:

Contract	Pricing mechanism
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Fraser Water Services Ltd	Pricing via hourly labour rates. The original contract rates (which are being honoured via the extension), were benchmarked.
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Contract Management

25. The standard of workmanship and service will be monitored and measured by the Mechanical & Electrical Engineering client team. Fraser Water Services Ltd will need to provide works reports evidencing the works undertaken. The service will be allocating a supervisor resource to these works and they will be reporting directly into the Head of Mechanical and Electrical Engineering. The contractor will be required to provide the head with a time assessment of the works prior to commencement and this will be scrutinised. The Mechanical and Electrical Engineering team will call every resident once the works have been completed to ensure satisfaction, and if there are any issues no payments will be certified until they are resolved.
26. There will be monthly performance meetings in which KPIs will be reviewed. KPIs will include:
 - Attendance of appointments to investigate the leak/back surge etc, and complete specific tasks
 - Emergency attendances within 4 hours
 - Submission of a formatted works report for every job, proving quantity and quality
 - Resident satisfaction
 - 10% of all day-to-day works will be audited* and 100% of all capital project works will be audited. If snagging is required, the contractor has 10 days to resolve and evidence.

**A 10% auditing regime is an appropriate risk quality assurance ratio because we have a high degree of confidence in Fraser Water ability to deliver quality day-to-day works. This confidence has been established based on Fraser Water current performance delivery which has demonstrated competence, expertise, and effective customer service.*

27. Social Value will be monitored by the Mechanical and Electrical Engineering Service.
28. Annual inflationary uplifts will not be applied as the contract extension will not exceed 12 months.

Equality Implications

29. As a landlord of social housing there is a higher proportion of vulnerable residents who are impacted more by leaks which may lead to damp and mould and potential health impacts. The additional capacity provided by this contractor ensures timely and effective resolution.

Risk Management Implications

30. The report recommends extending a repairs contract with an existing contractor who has a record of effective delivery when working on behalf of the council. Increasing contractor capacity for 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.
31. The report identifies risks associated with the contractor's capacity and the mitigation in place to manage this risk.

David Hughes, Director of Audit, Fraud, Risk and Insurance, 23 March 2023

Climate and Ecological Emergency Implications

32. Proper planned preventative maintenance is more carbon efficient than multiple 'sticking plaster' repairs. At present the council is directing hundreds of attendances to properties afflicted by repeated leaks which means multiple van visits. Reducing repairs demand through planned preventative maintenance will reduce carbon emissions.

Verified by Hinesh Mehta, Head of Climate Change, 31 March 2023.

Local Economy and Social Value Implications

33. It is a requirement that all contracts awarded by the council with a value above £100,000 provide social value contributions that are additional to the core services required under the contract.
34. 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.
35. On this extension, Fraser Water has proposed 20.3% social value contributions (based on a contract value of £500,000) including employing local residents on the contract including a care-leaver on an apprenticeship and supporting a community garden with water supply.

Paul Clarke, Social Value Officer, 19 April 2023

Consultation

36. No consultation has been carried out. When the need for in-property planned preventative maintenance is identified (e.g. replacing pipework) then an appointment will be made with the residents and a full assessment of the issue will be undertaken. A letter will be sent to the residents informing them of what works are to be undertaken and why and they will be provided with a direct

contact into the team so they can discuss any issues they are having. The contract will stipulate high standards of resident communication throughout the works process.

LIST OF APPENDICES

NONE