

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Jon Pickstone, Strategic Director Economy, in consultation with the Cabinet Member for Housing and Homelessness

Date: 13 November 2023

Subject: Contract award to ARC Group for provision of disrepair and void works.
Contract award to MLCS3 for provision of disrepair surveying

Report author: John Hayden, Assistant Director of Repairs

SUMMARY

This Procurement Report recommends two contract awards to assist with accelerating our rate of repairs of homes, particularly where the property is empty, 'a void', or where the resident is working with the council on the resolution of a repair via a legal advisor, cases that are known as 'legal disrepair'. These contracts will help ensure that our residents have the homes they deserve and reduce payments from the council to external legal firms from funds that could be used to ensure high-quality properties and resident services.

- 1) Using the Procurement for Housing 'Responsive Repairs and Voids' framework, Lot 2 'Void property refurbishments' to award a general build contract to ARC Group London. The direct award 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 legal disrepair cases and void works.
- 2) Using the NMHF Framework 'Asset Management Consultancy' framework to award a contract to MLCS3 for the provision of disrepair surveying services.

Both awards are value and time limited award to support the effective delivery of legal disrepair case outcomes and void works over a one-year period.

RECOMMENDATIONS

1. Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that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 'General Building Works' contract for a maximum value of £1,500,000 for a contract period of 1 year to ARC Group London via the Procurement for Housing framework. We aim to incept the contract as soon as allowable.
3. Direct award a contract for disrepair surveying to MLSC3 for a maximum value of £130,000 for a contract period of 1 year via the NMHF Framework

Asset Management Framework. 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	Social value assessments were included within the framework evaluations. These should have a positive impact on local wellbeing and prosperity.
Creating a compassionate council	Overdue repairs have a significant negative impact on our tenants. Promptly tackling disrepair cases supports reduces negative impacts of ongoing repairs issues to our residents. Reducing the time properties are left empty helps H&F to house more people.
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	Addressing disrepair cases promptly will help to minimise potential further legal and compensation costs in this area and reduce rent loss. Repairing voids in a timely manner will also reduce rent loss.
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	Capital investment in our properties is more carbon efficient than multiple 'sticking plaster' repairs. The background document, 'Housing Revenue Account (HRA) 12-year Asset Management Capital Strategy' outlines the procurement strategy for the Capital Programme.

Financial Impact

To deal effectively with the current number of disrepair cases relating to H&F's housing stock, it is proposed a further relief contractor be procured to provide additional capacity for a further 289 disrepair and void cases at a cost of £1,630m, of which £0.130m relates to surveys fees (MLCS3) and £1.5m (ARC Group) relates to the planned works on the 289 cases.

The repairs service anticipates the works to be wholly capital in nature and therefore will be funded from the ongoing capital budget for responsive repairs and void works, £6.467m in 23/24 and £4.070m in 24/25. Should any costs not meet the definition of capitalisable expenditure, then there will need to be provision made within the revenue repairs budget.

A Credit Safe report was run on 17/10/2023 for ARC Group, which provided a risk score of 70 and an annual contract value of £2.550m, which is sufficient for the contract in this report.

A Credit Safe Report was run for MLCS3, which provided a risk score of 64 and an annual contract limit of £0.075m, short of the contract requirement of £0.130m.

Further analysis of MLCS3's published company accounts for the last 3 financial years (2020/21 – 2022/23) provided an average annual turnover of £3.424m and therefore a revised contract limit of £1.315m, which is sufficient for the contract proposed in this report.

Furthermore, the service has advised that invoicing for both contracts will be done in arrears to further mitigate risk to the Council.

Implications prepared by: Llywelyn Jonas, Principal Accountant – Housing Capital, 17/10/2023.

Verified by: Sukvinder Kalsi, Director of Finance, 24/10/2023

Legal Implications

The Council is legally obliged to undertake these repairs as part of its obligations as a landlord under the Landlord and Tenant Act 1985. It also has a statutory obligation as a housing authority under the Housing Act 1985. The award of these contracts will enable the Council to comply with these obligations. The backlog of disrepair means that it is a priority for the Council to undertake these works as soon as possible.

The value of these awards means that the contracts are below the threshold for the Public Contracts Regulations 2015 to apply. There are therefore no statutory requirements in relation to the award of these contracts.

Under the Council's Contract Standing Orders the award to ARC Group London is a high value contract and the award to MLSC3 is a medium value contract. The use of a suitable third-party framework in accordance with its terms is a compliant means of procuring both high and medium value contracts.

In relation to the award to ARC Group, the proposal is to use the PfH (Procurement for Housing) Framework. The Council is entitled to call-off under this framework. It allows for direct awards where the proposed supplier has been assessed as the most economically advantageous. The outcome of the assessment has been that ARC Group meets these criteria. The direct award to them is therefore permitted under the terms of the framework.

The proposal in respect of MLSC3 is to award under the NMHF Framework Asset Management Consultancy framework. The Council is entitled to call-off under this framework. It allows for direct awards where only one of the suppliers on the framework is in a position to meet the relevant timescales. This has been judged to apply to MLSC3.

The proposed awards are therefore compliant with the Council's Contract Standing Orders.

The award to ARC Group will be a key decision under the Council's constitution and will need to be included on the key decision list on the Council's website.

John Sharland, Senior solicitor (Contracts and procurement)
13 October 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 is currently a significant demand for complex disrepair works. Outstanding repairs negatively impact tenants, including sometimes resulting in decants that generate complaints and create risks in terms of further legal challenge and cost.
2. Additional capacity in both surveying and works delivery is required to accelerate the council's tackling of these cases and to manage new cases the Council receives.
3. Previous commercial negotiations with our repairs contractors have separated out disrepair from the standard Price Per Property model, which means that these are being paid for separately so there is no risk of duplicating payment for cases.
4. In addition, there is a significant demand for voids works. Empty properties impact on the council's ability to house new residents and reduce rental income revenue stream.

One Year Solution:

5. The additional contractor capacity being procured through this report will support the immediate acceleration of disrepair and voids works and will provide additional capacity for the period of one year. Assessments will be

made during this one-year period on how best to ensure an appropriate response to disrepair and voids subsequently.

6. Whilst previous interim relief contractors appointed are making progress in delivering the works required (working on a current caseload of 184) they do not have the capacity to meet the total demand for disrepair work, hence the requirement for additional support. Similarly, current interim relief contractors do not have the capacity to wholly complete all our voids works.
7. The intention is that ARC Group and MLCS3 between them will survey, manage, and complete a further 289 legal disrepair cases by March 2024. This will be supported and supervised by Council officers.
8. MLSC3 will carry out related surveying visits and review historic disrepair cases from 2019 to 2021 against Letters of Disrepair. This will include reviewing all live repairs, home visits and creation of a definitive Schedule of Works for the contractor and disrepair team to manage.
9. In addition, MLCS3 will review all current disrepair cases received in 2023, with all new claims attended and surveyed and a definitive Schedule of Works agreed.
10. ARC Group will deliver the works required according to the Schedule of Works provided and in turn discharge legal disrepair claims.
11. ARC Group will additionally deliver and return between 20 and 30 voids a month.
12. Both ARC and MLSC3 have the relevant skillsets, experience, and supply chains to deliver their respective work of surveying and remedial work, as well as the ability to start imminently, and have a strong understanding of the borough's requirements. We have chosen these firms due to this relevant expertise, that they are on relevant frameworks, have capacity to complete this work, and because they have a proven track record for delivering these services to London Boroughs.

Reasons for Decision

13. To accelerate the performance of the Responsive Repairs service relating to disrepair and voids works.

Contract Specifications Summary

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

Contract	Contract value	Description of works/services
ARC Group Ltd	£1,500,000, expected to be drawn down	Complex and structural related repairs likely to include: <ul style="list-style-type: none"> • Underpinning

	<p>across eight months, with provision for one year.</p>	<ul style="list-style-type: none"> • Damp works • Brickwork • Roofing • Complex drainage <p>Works as per agreed surveyor reports and legal schedules / instructions.</p> <p>Works to properties to bring them up to the LBHF lettable standard, to include</p> <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 • Structural works e.g., underpinning • Fit for habitation document. • Decent home requirements • Decorations • Electrical works • Ventilation
MLCS3	£130,000	<p>Provision of surveying services to produce Schedules of Works, assessing requirements against Letters of Claims.</p> <p>Review of current cases including progress to date and status of live repairs.</p> <p>Providing pre and post inspections to all homes.</p> <p>Joint survey sign offs.</p> <p>The aim is for the work to complete in 8 months, but there is contractual provision for 1 year.</p>

15. The contracts will be for a maximum duration of 1 year.

Procurement Route Analysis of Options

16. There are a range of procurement options available to procure providers for these contracts:
 - Competitive tender
 - Mini-competition from a suitable framework or Dynamic Purchasing System (DPS)
 - Direct award from a suitable framework
17. The disadvantage with the first two options is the time it takes to deliver them. Competitive tender can take between 6 and 12 months and mini-competition between 3 and 6 months.
18. In this instance, the service urgently requires additional capacity for complex, structural and disrepair works to prevent further negative outcomes for residents and costs to the council. They have ruled out the first two options because of the time required to deliver them.
19. The preferred option therefore is to direct award from a suitable framework. In this case the proposal is to:
 - a. Award to ARC Group via the PfH 'Responsive Repairs and Voids framework' via Lot 2 'Void property refurbishment works'. This is a compliant procurement route in line with our Contract Standing Orders, and which adheres to the requirements of the framework provider.
 - b. Award to MLSC3 via the NMHF Framework 'Asset Management Framework'

Risk Assessment and Proposed Mitigations

20. 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. All works will be managed by the Head of Operations within the Repairs team to ensure suitable coordination.
21. There will need to be special processes for dealing with communication between the Council's Customer Service Centre (CSC) and the supplier. This is aided by the supplier working on disrepair and void workstreams, which are raised by surveyors rather than the Customer Service Centre – minimising contact points. The Disrepair team will take responsibility for interaction with residents and booking appointments and all sign-offs and inspections will be jointly managed by the Disrepair and Voids teams in the Repairs Service.
22. The volume of work given to the suppliers is controllable as the contract will have a clause that 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.

23. 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

24. We expect these works to complete by end-July 2024, but provision is made in the contract for them to complete by end-November 2024 assuming commencement at the start of December 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. Please see Appendix 1 for more detail on disrepair data and associated costs:

Contract	Pricing mechanism
ARC Group: JCT 2016 MT Contract	SOR NatFed version 7.2 +32% (disrepair) OHP + 15% SOR NatFed version 7.2 +25% (voids)
MLSC3: Standard medium value service contract	£250/£350 per survey dependent on survey type

Contract Management

27. The Repairs Client Team will manage both of these contracts, with the Head of Operations being the dedicated Contract Manager.
28. The standard of workmanship and service will be monitored and measured by the 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.
29. There will be monthly performance meetings in which KPIs will be reviewed. KPIs are likely to include:

ARC Group	MLSC3
Appointments kept	Appointments kept
Works completed by target completion	Surveys completed by target

date	completion date
Submission of all required information	Submission of all required information
Resident satisfaction	Schedule of Works provided within agreed timeframe
Quality assurance/post-inspection outcomes	

30. The contractors will complete a social value matrix return to outline social value commitments as part of this contract.

Equality Implications

31. As a landlord of social housing, we house a higher proportion of vulnerable residents who are impacted more by needed repairs, which left untreated, may have health impacts. The additional capacity provided by this contractor ensures timely and effective resolution. We will use prioritise vulnerable residents according to our vulnerability assessments, including age, disability, and health.

Risk Management Implications

32. Satisfactory risk assurances included within the report.

Verified by: Jules Binney, Risk and Assurance Manager, 17/10/2023

Climate and Ecological Emergency Implications

33. Arc Group have signed the council's supplier Low Carbon charter and will adhere to these commitments. They additionally have a strong sustainability strategy with their own target to reach carbon net zero by 2026 and will bring their strategies and policies around this to this contract, in particular responsible sourcing of materials through their supply chain, and use of electric vehicles where possible.
34. MLSC3 have signed the council's low carbon charter and will adhere to these commitments. Providing a surveying service for the borough, they will work with tablets to minimise use of paper and arranging visits geographically to minimise travel. Through providing effective works specifications in properties with disrepair cases they will support properties to become more energy efficient (e.g. identifying where new windows may be required).

Implications completed by Emma Lucas, Commissioning Lead and verified by Jim Cunningham, Climate Policy & Strategy Lead

Consultation

1. No consultation has been carried out.

List of Appendices

1. Exempt Appendix 1 – Additional Disrepair Data