

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

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

**Date:** 6 February 2023

**Subject:** Contract Award to Effectable Construction Services for the provision of damp and mould works

**Report author:** John Hayden, Assistant Director of Repairs

**Responsible Director:** Jon Pickstone, Strategic Director of the Economy Department

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### SUMMARY

This Procurement Strategy recommends a contract award to assist with accelerating our rate of repairs of homes, particularly in relation to damp and mould works. This contract will help ensure that our residents have the homes they deserve, and that incidences of damp and mould are both resolved and reduced moving forward.

This report proposes a direct award to Effectable Construction Services Ltd for the provision of damp and mould works across council housing in the borough. This will include Tier 1 mould removal works, and Tier 2 remedial works to prevent the recurrence of damp and mould.

This award is required to increase the capacity to manage, and resolve works in this high-profile area by providing a dedicated contractor resource. It is important to appoint and onboard a contractor as soon as possible to both start effectively resolving open cases and manage emerging cases over the coming colder and wetter months.

This is a time and value limited award and is a short-term solution to increase capacity and resilience within the supply chain, whilst longer term provision is put in place as part of the repairs reprocurement programme.

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### RECOMMENDATIONS

1. To agree that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that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 approve a contract award to Effectable Construction Services Ltd for a total value of up to £2 million, to run through to 31 July 2025. The contract will be incepted as soon as allowable.
3. To note the accompanying waiver from the Contract Standing Orders which will enable this contract award.

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**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 require materials for works and some spend will be through local suppliers, supporting these businesses with trade.
Creating a compassionate council	It is crucial for the council to be able to respond quickly and effectively to reports of damp and mould in homes, ensuring the negative impact of this is minimised for residents, and maintaining safe, habitable homes.
Doing things with local residents, not to them	There will be high standards of resident engagement stipulated within the contract. We know that damp and mould is a particular issue for some of our residents across the borough, and a dedicated and clear approach to dealing with this is required.
Being ruthlessly financially efficient	Costs are agreed against the standard pricing template and subject to benchmarking of competitors. Works issued can be controlled and works completed will be quality assured by council surveyors and cross referenced against costs submitted.
Taking pride in H&F	It is important to maintain safe, habitable and pleasant housing stock – having the capacity of a dedicated resource to deal promptly with cases of damp and mould – and work through the current open cases – will support this aim.
Rising to the challenge of the climate and ecological emergency	The contractor will be signed up to the WLA low carbon supplier pledge and adhere to those commitments.

## **Financial Impact**

The cost of the contract is up to £2m over a two-year period.

Whilst the majority of the work is expected to be revenue in nature, the opportunity to capitalise costs where identified will be taken where applicable.

These costs will be funded from the existing approved budget for repairs (£9.8m for 2023/24). The Council has recently entered into several additional repairs and maintenance contracts as part of the Repairs Improvement Plan. The total value of all contracts exceeds the annual revenue budget but the service has committed to ensuring that the level of works commissioned and spent is contained within the available revenue budget subject to maintaining the HRA General Reserve position at or above £5m.

A Credit Safe report was run for Effectable Construction Services and this shows that the risk rating of 67 exceeds the Council's minimum accepted rating of 50.

Whilst the Credit Safe recommended contract award value for the company is £370,000, the Council is able to mitigate this risk through control over the volume of works commissioned and contract terms which dictate payment will only be made only upon satisfactory completion and standards of work.

*Mark Collins, Principal Accountant 10th November 2023*

*Verified by: Danny Rochford, Head of Finance (Housing Revenue Account and Economy) 17 November 2023*

## **Legal Implications**

The Council has a legal obligation to undertake works to remedy damp and mould and take steps to prevent its recurrence. This derives from its duties as a landlord under the Landlord and Tenant Act 1985 and as a housing authority under the Housing Act 1985.

This is a contract for works and falls below the threshold for the Public Contracts Regulations. There are therefore no statutory requirements governing the procurement.

This is a high value contract for the purposes of Contract Standing Orders. This would require a competitive tender to be carried out. A waiver of CSO 18 is being requested to allow for a direct award, the circumstances for which are justified for the reasons set out in this report.

This is a key decision under the Council's constitution and the details need to be included on the key decision list on the Council's website.

*John Sharland, Senior solicitor (Contracts and procurement)  
7th November 2023*

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**Background Papers Used in Preparing This Report**  
**None**

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## DETAILED ANALYSIS

### Proposals and Analysis of Options

1. The proposal is to direct award a contract for the delivery of Tier 1 (removal) and Tier 2 (prevention) works for cases of damp and mould.
2. Incidences of damp and mould can have a significant negative impact on residents' experiences of their home, as well as pose potential health risks, and LBHF is committed to being able to resolve and prevent recurrence of these issues more effectively moving forward.
3. An aging housing stock, combined with a lack of dedicated or specialist resource in the supply chain to date has contributed towards a set of open works which need to be resolved promptly.
4. In addition, further cases are expected to emerge, due to the winter period and the colder and damper conditions this will bring; LBHF's ongoing Stock Condition Survey; and tenant home visit programme which will visit all homes across the next year, and proactively highlight incidences of damp and mould where these are found.
5. Proactively highlighting issues will provide long-term benefits as solutions can be implemented, but it does mean a potential short-term increase in the works required and therefore the need for dedicated and specialist contractor resource.
6. The current contractor supply chain either does not have the capacity or the right skillset to be able to deliver the works to manage the open or upcoming cases.
7. Given the impact damp and mould can have on residents, it is recommended that a dedicated contractor resource is urgently appointed to both manage open cases and deal with upcoming works.
8. Slow response to damp and mould cases can also result in complaints, as well as escalation to the ombudsman or disrepair cases, which results in a poor experience for residents and a higher cost to the council.
9. Providing a contract through until 31 July 2025 will ensure that these works can be carried out until a new model of provision is in place as part of the wider Repairs 2025 procurement programme.
10. The intention is to build a robust supply chain for damp and mould works, with two dedicated contractor resources, and support from the DLO, to effectively manage, resolve and prevent these works moving forward.
11. Effectable Construction will be one of these contractor resources. They have the ability to deliver these works across the next two years, and to start rapidly working through the jobs required.

12. They have a successful track record of delivering similar works in neighbouring London Boroughs, and will bring this experience, expertise and local knowledge to the contract. They have already completed a small pilot of works in the borough, displaying good performance throughout this.
13. They additionally have experience of delivering effective solutions for more complex damp and mould cases and the right skillsets in place to achieve this.
14. This means they are well placed to deliver effectively on this contract and are resourced to be able to start immediately when the contract commences, which is crucial for the best service impact.
15. Given the requirement to manage multiple works, and liaise effectively with residents in relation to access and ongoing works the contractor will have a dedicated administrator working full time on the contract who will work closely with the LBHF repairs team and be responsible for:
  - i. Managing access issues
  - ii. Liaising with residents and keeping them up to date on works
  - iii. Providing regular updates to LBHF on progress and works completed
  - iv. Ensuring data is uploaded and correct on the NEC Contractor Portal.
16. Managing, resolving and preventing damp and mould cases often requires more than one attendance, so there is a greater requirement for coordination with residents.
17. This administrator resource will support the smooth and effective delivery of these works.
18. The Contractor will also have dedicated management and supervisory resource working on the contract to ensure the quality of works delivered, and provide expert advice in relation to preventative measures to reduce the cycle of mould recurrence following a mould wash.

### **Option 1: Do nothing**

19. If no contractor were to be appointed it is likely that damp and mould cases would not be resolved in a timely manner, and may escalate into more serious issues, particularly moving into the winter months, and as a result of the proactive Stock Condition Survey.
20. This is likely to result in increased resident dissatisfaction, increased complaints and potentially increasing disrepair claims.

### **Option 2: Competitive tender exercise**

21. The service has deemed this process to be too long in this instance. Urgency of appointment and a rapid start is required to effectively manage open cases and to ensure that work commences as we head into the winter months.

22. A dedicated resource in place rapidly will help to support outcomes for residents.
23. Frameworks tend not to be set up specifying damp and mould works, but rather more generic repairs. It is unlikely therefore that running a mini competition via a framework would result in the more specialist expertise required.
24. In addition, given the urgent, high-profile nature of these works it is more efficient to appoint to a contractor whom we know is able to deliver the requirements and start imminently.

### **Option 3: Direct award (recommended)**

25. This option is recommended as it enables a rapid contract award to a contractor able to deliver the requirements of the service. This will enable them to start imminently and provide the dedicated contractor resource required. The award is value and time-limited to coincide with wider work on the Repairs reprocurement and falls within the Works Threshold under Procurement Regulations.
26. An approved waiver from council Contract Standing Orders will accompany this paper to enable the contract award.

### **Contract Management**

27. The Contract used will be a JCT MTC contract in line with our other similar contractors.
28. Contract Management will be carried out by the Repairs Client Team with the Head of Operations leading day-to-day contract management, with escalation to the Assistant Director of Repairs where necessary.
29. The contractor will be required to evidence works through the use of before and after photos, and a random selection of works will be post-inspected for quality assurance.
30. KPIs will include:
  - i. Repair completed within timeframe
  - ii. Tenant satisfaction
  - iii. Quality assurance
  - iv. Volumes of recalls

31. The cost of the contract will be based on NatFed v7.2 SOR rates + 29%, which is comparable to other current providers and the wider market, alongside a set of agreed basket rates.
32. In addition, this contract will have a fixed monthly prelim payment in recognition of the dedicated personnel resource required to effectively coordinate the works, given the volume and potential complexity of this type of work. See Appendix 1 for further detail on the prelim payment and supporting damp and mould works data.

## Risks and Mitigations

33. The key risks relate to urgently onboarding a contractor via a direct award process and therefore the lack of a longer mobilisation period. Risks and mitigations are outlined in the table below:

<b>Risk</b>	<b>Mitigation</b>
Contractor's general standing (e.g. financial, health and safety, ability to carry out works) is not adequately reviewed	A due diligence piece is being carried out to capture the key information required relating to finance, insurance and health and safety with the appropriate team reviewing and approving these.
Lack of full Northgate integration means work order information is not communicated/recorded effectively	Registering the contractor on Northgate Contractor portal will provide ability to ensure works orders and progress are logged and recorded on the Northgate system.
Poor performance on works orders	JCT MCT contract allows the volume of works provided to be controlled (and gives the option to remove works where required). Payment is generally only made for works completed, apart from the fixed prelim payment in relation to the coordinator post. This is a small volume of the total anticipated spend.
Does not meet the expected standards of work	Regular quality assurance and post-inspections by LBHF will take place and any issues with standards of workmanship raised and resolved.
Poor value for money due to lack of competitive exercise	Rates agreed in advance and benchmarked against other contractors in the supply chain.

## Reasons for Decision

34. To urgently appoint a dedicated contractor resource to carry out damp and mould works across council housing in the borough to work through current

open jobs and manage emerging cases to maintain safe and habitable housing stock for residents.

## **Equality Implications**

35. There are no negative equality implications anticipated as a result of this appointment. The effective management of damp and mould in resident's homes should have positive outcomes, particularly for individuals potentially at enhanced risk through prolonged exposure such as the very young or very old, or individuals with underlying health conditions.

## **Risk Management Implications**

There is a risk that the outputs of the contract with Effectible Contract Services does not adhere to the Under the Homes (Fitness for Human Habitation) Act 2018. This will contravene the implementation of the recommendations made in the recent Housing Ombudsman report. To mitigate this risk, there must be regular performance reviews of properties that have been completed with supporting evidence of adherence.

Jules Binney, Risk and Assurance Manager, 13/11/2023

## **Climate and Ecological Emergency Implications**

36. The supplier has committed to the Low Carbon Charter. They are in the process of developing their Carbon Net Zero strategy and are working to reduce their environmental footprint through renewal of vehicles to electric vehicles and installation of solar panels.
37. The council will work closely with the contractor to ensure solutions proposed for the Tier 2 damp and mould works support energy efficiency within properties where appropriate.

*Completed by Emma Lucas, Commissioning Lead 07/11/23. Verified by Jim Cunningham, Climate Policy & Strategy Lead, 17/11/23*

## **Consultation**

38. Not applicable

## **LIST OF APPENDICES**

Appendix 1: Preliminary payments and damp and mould works data