

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Sukvinder Kalsi, Executive Director of Finance and Corporate Services, in consultation with Councillor Frances Umeh, Cabinet Member for Housing and Homelessness

Date: 13/09/2024

Subject: Procurement Strategy and Award of contracts to provide consultancy support for various schemes within the Housing Capital Programme

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

Report author: Mara Akrivlelli, Commissioning and Contracts Lead

SUMMARY

This report seeks approval of a procurement strategy and the award of contracts to two suppliers, Keegans Limited and Pellings LLP from the Council's 'Consultancy Services Framework Agreement' established in 2023 for the provision of multi-disciplinary consultancy services necessary to deliver a number of refurbishment projects forming part of the housing capital programme.

RECOMMENDATIONS

That the Executive Director of Finance and Corporate Services, in consultation with the Cabinet Member for Housing and Homelessness:

1. Notes that Appendix 1 of this report is currently exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.
2. Approves the procurement strategy proposing the use of the 'Consultancy Services Framework Agreement' award procedure for the provision of multi-disciplinary services to enable the delivery of projects outlined in Appendix 1. The estimated values of each commission is included in Appendix 1. The commissions are expected to start in July 2024 and conclude after approximately 3 years depending on the completion of the relevant works contracts.
3. Approves the award of a contract to Keegans Limited, ranked first under the Council's 'Consultancy Services Framework Agreement' award procedure, to provide multi-disciplinary services for proposed schemes at Swan Court/Ravensworth Court and Arthur Henderson House/William Banfield House as detailed in Appendix 1. The value is estimated at £262,320. Although Keegans are ranked first they have agreed to progress the Swan

Court and associated properties project and step aside from supporting the Lytton Estate project.

4. Approves the award of a contract to Pellings LLP, ranked second under the Council's 'Consultancy Services Framework Agreement' award procedure, to provide multi-disciplinary services for proposed schemes at West Kensington and Lytton estates as detailed in Appendix 1. The value is estimated at £417,860.
5. Notes that the estimated fees detailed in Appendix 1 will be recalculated based on the total contract value and service proposal for each project and will be detailed in individual works contract award reports.

Wards Affected: Avonmore, Fulham Town, Walham Green, West Kensington

| Our Values | Summary of how this report aligns to the H&F Values |
|--|---|
| Building shared prosperity | The consultants will play a critical part in developing projects improving and maintaining the standard of council homes. Housing is a prime influence on quality of life, life expectancy, opportunities for work, education, leisure etc. It is critical to economic development, educational achievement, public health, community cohesion. |
| Creating a compassionate council | Investment in social housing enables the council to fulfil its strategic landlord function and provide good-quality homes to local people that are safe, secure and genuinely affordable. |
| Doing things with local residents, not to them | Residents will be fully consulted during the preparation of schemes, their progression to site, and final delivery. The expertise of the appointed consultants will be integral to ensuring residents are properly informed about decisions affecting their homes and, where necessary, specific feasibilities and impact assessments will be undertaken. The consultation will continue post-procurement to include site set-up arrangements and further information on the delivery stage. Residents will be balloted to confirm preferred door styles and communal |

| | |
|---|--|
| | redecorations. |
| Being ruthlessly financially efficient | The proposed consultants have achieved a high ranking, for both quality and costs, on LBHF's multi-disciplinary framework following an OJEU-compliant tender process. They will provide robust contract management and cost control to ensure schemes achieve quality standards and demonstrate value for money. |
| Taking pride in H&F | The consultants will be integral to the assessment of each project's environmental impact including reviewing contractors' approach to energy consumption, use of sustainable materials, transport plan, site waste management, and noise pollution. |
| Rising to the challenge of the climate and ecological emergency | <p>The appointed consultants will include in the design stage for each scheme energy assessments setting out options to achieve:</p> <ul style="list-style-type: none"> • improved functionality, usability and durability of buildings • improved comfort, health and well-being of building occupants and visitors • improved energy efficiency, leading to reduced fuel use, fuel costs and pollution (especially greenhouse gas emissions associated with energy use), and • reduced environmental impacts of buildings. <p>The scope of works for each project will incorporate carbon reduction and energy efficiency initiatives where feasible and cost-effective.</p> |

Financial Impact

1. The report seeks approval of a procurement strategy and the subsequent direct award of contracts in delivering consultancy services linked to proposed major refurbishment works schemes on estates, as set out in Appendix 1. The consultancy services are expected to commence in July 2024 and will span financial years 2024/25 to 2026/27. The service will pay the suppliers in instalments based on satisfactory progress, and the achievement of key milestones based on industry defined project stages. The final payment will

be released one year after the completion of scheme works to cover the defects liability period.

2. Keegans Ltd is the selected supplier of consultancy services at a total cost of £262,320 for the schemes at Swan Court/Ravensworth Court and Arthur Henderson House/William Banfield House.
3. Pellings LLP is the selected supplier of consultancy services at a total cost of £417,860 for the schemes at West Kensington and Lytton estates.
4. The spend on the consultancy services is capitalisable on the basis that they are required for the proposed major refurbishment works schemes to proceed. The HRA Asset Management 4-Year Capital Programme for 2024-28 was approved by Cabinet in February 2024 and contained a budget provision for major works, of £45.140m across financial years 2024/25 to 2027/28. The cost of the proposed schemes will be funded from approved uncommitted balances in the Compliance Concrete/Structural works Contingency scheme, allocated to the Capital Delivery team.
5. A CreditSafe report run on 20th June 2024 on the supplier Pellings LLP showed a credit score of 58 (low risk and above the Council's threshold score of 51) and a contract limit of £1,500,000. This is more than sufficient for the contract value of £417,860 proposed in this report.
6. A CreditSafe report run on 20th June 2024 on the supplier Keegans Ltd showed a credit score of 57 (low risk) and a contract limit of £75,000. The credit score is above the Council's threshold score of 51, but the contract limit is lower than the proposed contract value of £262,320. There is therefore a risk that the contractor will not be able to fulfil their contractual obligations. To mitigate this risk, further analysis of their financial statements has been conducted to assess the company's financial position with the following results:

| Ratio | What does this ratio test? | Ratio as at 31 March 2022 | Ratio as at 31 March 2023 | Threshold |
|----------------------|--|---------------------------|---------------------------|--------------------------|
| Current Ratio | Measures a company's ability to pay short-term obligations or those due within one year. | 1.7 | 1.9 | Must be greater than 0.5 |
| Debt to Equity Ratio | Highlights how a company's capital structure is tilted either toward debt or equity financing. | 1.3 | 1.0 | Must be less than 3 |

The above ratio analysis shows that the supplier's current ratio, and debt to equity ratio, were within the Council's acceptable thresholds as at 31 March 2023. The current ratio as at 31 March 2023 was higher than the previous year's, indicating an improved ability of Keegans Ltd to pay its short-term obligations. There was also a reduced debt-to-equity ratio as at 31st March 2023, indicating an increased reliance on equity financing as opposed to debt financing.

7. The service will need to ensure that payments are made once work has been completed or to agreed milestones and should continue to monitor the supplier's performance and financial viability throughout the contract period.
8. Finance officers will work closely with the budget holders to monitor spend within the agreed budget envelope and will report updates to the financial position via the quarterly Capital Programme Monitor.

Implications completed by: Anjeli Chadha, Principal Accountant – Housing Capital, 20th June 2024

Verified by: Danny Rochford, Head of Finance (HRA, Housing and Place), 26 June 2024

Legal Implications

These appointments are necessary to support the capital schemes referred to in this report. These are being undertaken pursuant to the Council's duties as a landlord under the Landlord and Tenant Act 1985 and as a housing authority under the Housing Act 1985.

The value of these contracts means that they are public services contracts under the Public Contracts Regulations 2015 (PCR). The use of the Council's consultancy framework, which was let in accordance with the PCR, complies with these regulatory requirements.

These are high value contracts under the Council's Contract Standing Orders. The use of a Council framework in accordance with its terms is a compliant method of procuring contracts of this value. The framework requires award to the first ranked contractor within the relevant lot. However, where the first ranked contractor has declined the work the contract can be awarded to the second ranked contractor. The requirements of the CSOs have therefore been complied with.

This is a key decision under the Council's Constitution and needs to be included in the key decision list on the Council's website.

John Sharland, Assistant Director of Legal Services, 17th June 2024

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

Background

1. The Council's 12-year Investment Plan approved by Cabinet in September 2021 set out broad themes to ensure the safety and integrity of homes for the longer term. A Procurement Strategy approved in December 2022 identified a number of sites for investment in the period 2023/24-2025/26 pending the completion of the boroughwide stock condition survey which would inform the longer-term plan. Several projects have been progressed and are currently at different stages of delivery and the schemes identified at Appendix 1 are the next to be developed.
2. External consultancy support is required to lead on the preparation of these projects - including detailed feasibilities where required - and their day-to-day management, co-ordinating the various aspects of each phase from design through to completion.
3. Progression on these schemes is critical to meeting council priorities including the replacement of life-expired building elements, cutting carbon emissions, improving energy efficiency, tackling fuel poverty, complying with statutory regulations such as the Fire Safety Act and Building Safety Act, and reducing the burden of uneconomic reactive repairs within the housing stock.

Reasons for Decision

4. This procurement strategy is submitted for approval by Cabinet in accordance with paragraph 18 of Contract Standing Orders (`CSOs`).
5. Approval of the strategy will allow officers to initiate and develop specific refurbishment schemes and continue to deliver on the aims of the 12-year investment plan.

Contract Specifications Summary

6. The proposed contracts will cover a range of disciplines including but not limited to:
 - Employers Agent
 - Building surveying and architect services
 - Planning and building control compliance
 - Quantity Surveying
 - Principal designer
 - Project management and contract administration
 - Energy efficiency assessments
7. The consultancy support will be required throughout the duration of each works contract and for a further year post-contract to cover the defects liability period.
8. The form of contract, or contracts, will be the JCT Consultancy Agreement (2016) incorporating agreed framework rates based on the services required for individual schemes.

Procurement Route Analysis of Options

9. Option 1 – Do Nothing. This is not an option as schemes need to be progressed to site so that the council can deliver on its housing investment plan and achieve improvements in the standards of accommodation and amenity provided to residents.
10. Option 2 – Carry out a mini-competition exercise for each proposed contract. This would be a lengthy process and would not achieve the overriding aim of getting schemes to site as soon as possible. Furthermore, there has already been a competitive process to rank suppliers on the framework as outlined at Option 3.
11. Option 3 – Use the Council's 'Consultancy Services Framework Agreement' direct award procedure and appoint two multi-disciplinary consultants ranked highest in terms of quality and cost. This Framework has a direct award option that has ranked bidders on a cost/quality competition. Therefore, direct awarding to the highest ranked bidders (Keegans and Pellings) should represent value-for-money and allow schemes to be developed at pace.

Market Analysis, Local Economy and Social Value,

12. This is a well-developed market, and the framework has sourced several providers who have the skills and experience to support LBHF's capital works projects. Rigorous assessment has been applied to all bidders on LBHF's Consultancy Services Framework to ensure the highest standards of quality and value in service delivery.
13. This procurement will follow the Social Value requirements as set out within LBHF's Consultancy Services Framework.
14. The contracts will contain clauses to ensure that the appointed consultants deliver 10% social value for each contract.

Risk Assessment and Proposed Mitigations

15. In being awarded a place on the framework the suppliers have already established their capacity, experience and capability to undertake works to the standards required by the Council. The suppliers are regulated by the Royal Institute of Chartered Surveyors ("RICS") and commit to the Institute's professional and ethical standards.
16. The suppliers will be required to maintain a Risk Register to document and track risks through the life of each project. Fee payments will be linked to the achievement of key milestones based on industry defined project stages.

Timetable

17. Below is an estimated timetable of the competition process through to contract commencing.

| | |
|--|-------------------|
| Key Decision Entry (Strategy and Award) | 10 May 2024 |
| Contracts Assurance Board (Strategy and Award) | 10 July 2024 |
| SLT/Cabinet Member | 30 July 2024 |
| Key Decision call-in period ends | 9 September 2024 |
| Contract engrossment | 12 September 2024 |
| Contract Commencement date | 1 October 2024 |

Selection and Award Criteria

18. The establishment of the Council's Consultancy Services Framework Agreement was approved by the Cabinet Member for Housing and Homelessness in March 2023.

Contract Management

19. The Assistant Director, Building and resident safety, is the strategic lead for the housing capital programme. The Head of Capital Delivery will manage the operational team overseeing the appointed consultants.
20. The appointed consultants will assume the role of contract administrator for each works contract and will be responsible for issuing all instructions, variations, notices etc. to contractors. Their appointed Quantity Surveyor will provide cost control and valuation of works. The consultants will also provide core services such as Building Surveyor, Principal Designer, and CDM Services. Supplementary services such as structural surveyors, M&E surveys, and the like will be called off as required based on agreed framework rates.
21. Each call-off agreement under the framework is subject to a suite of KPIs to monitor, measure and report on the performance of the consultants. Example KPIs specific to the consultancy support will include:
- Time to produce pre-construction cost information
 - Predictability of cost
 - Time to complete scope of works and outline specification
 - Time to complete final account
 - Time to produce health and safety files
 - Client satisfaction

Equality Implications

22. An Equalities Impact Assessment was completed when the consultancy framework was awarded in March 2023. It is not anticipated that the approval of these proposals, as set out in the recommendations, will have any direct negative impact on any groups that share protected characteristics under the Equality Act 2010.

Yvonne Okiyo, Strategic Lead Equity, Diversity and Inclusion 12 July 2024

Risk Management Implications

23. The risks noted above in Risk Assessment and Proposed Mitigations significantly satisfy the risk management mitigations.
24. In addition, there is a programme risk that by devolving programme management to the consultants that LBH&F is not fully apprised of developments leading to programme blockages, additional funding required or programme threats. To mitigate this, it is suggested that weekly updates are provided to LBH&F on progress in conjunction with unscheduled site visits. To further provide rigour a robust change management process must be put in place with oversight of LBH&F

Jules Binney, Risk and Assurance Manager, 20 June 2024

Climate and Ecological Emergency Implications

25. The project briefs to be provided to the appointed consultants will include a requirement to undertake energy assessments of the subject stock and develop the scope of works. If the refurbishments incorporate energy efficiency improvements, then they will contribute to the Council's carbon reduction objectives; the scope finally agreed at each site needs to include these to have a positive impact.

Mark Thomlinson, Climate Engagement Lead, 27 June 2024

Local Economy and Social Value Implications

26. It is a requirement that all contracts let by the council with a value above £100,000 propose and commit to social value contributions that are additional to the core services required under the contract. These contributions must amount to at least 10% in value of the price of the contract proposed. This is proposed in paragraph 14.
27. It is recommended that the commissioner works closely with Legal Services to ensure appropriate social value clauses are included in the contract so that the council can enforce its right to remedies if social value commitments are not delivered.

Oliur Rahman, Head of Employment and Skills, 15 July 2024

Consultation

28. The appointed consultants will be integral to the consultation process, providing detailed rationale for the proposed works and attending resident and other stakeholder meetings to provide professional advice and answer queries.
29. The consultants will also lead on consultation with other Council departments or external agencies in line with the requirements of the projects e.g. planning, Building Control, the local community, unions, staff, partners, etc.

Procurement Implications

30. A Contract Award Notice must be published to Contracts Finder, to satisfy the requirements of the Public Contracts Regulations 2015 for contracts equal to and over £30,000 (including VAT). This must be completed using the Council's eProcurement portal.
31. A named contract manager must be allocated to the contract on the Council's eProcurement portal.

Chris Everett, Category Lead – Procurement and Commercial, 04/07/2024

LIST OF APPENDICES

Appendix 1 Exempt from Publication - Fee calculations