

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

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

**Date:** 01/10/2024

**Subject:** Contract Award to Wates Property Services Limited for a borough-wide Responsive Repairs and Voids works.

**Report author:** Nicholas Marco-Wadey, Head of Contract Governance

**Responsible Directors:** Richard Shwe, Director of Housing  
Sukvinder Kalsi, Strategic Director Finance

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### Decision required:

- Approval to award a 3-year responsive repairs contract to Wates Property Services Ltd commencing from 1 October 2024 across Lots 1 and 2 of the borough.
- Approval to conclude the termination (by mutual consent) of the existing Morgan Sindall contract on the 30 September 2024.

### SUMMARY

- On 4 March 2024 approval was received from Cabinet to termination the existing LOT 1 and LOT 2 (central area) responsive repairs contract with Morgan Sindall Property Services Ltd. The contract was agreed to be terminated by mutual consent and will end on 30 September 2024.
  - LBHF's Housing department commenced a procurement for a new responsive term contractor in April 2024 to replace the existing term contractor Morgan Sindall.
  - The procurement was carried out utilising the National Housing Management' Framework.
  - The outcome of the tendering process in July 2024 recommends the appointment of Wates Property Services Ltd as the preferred bidder.
  - The contact will commence on 1 October 2024 and will run for a 3-year period with an estimated contact value of £9.5m per annum
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## RECOMMENDATIONS

1. To approve the contract award of a repairs contract to Wates Property Services Ltd. This will be a three-year contract with a value of up to £28.43m. Contract commencement will be for Tuesday, 1 October 2024.
2. To approve that the Strategic Director of Finance and Corporate Services, in consultation with the Assistant Director of Legal Services and the Assistant Director of Repairs be authorised to enter into agreements as necessary to bring the decisions in this report into effect.
3. To approve the termination of the contracts (Lot 1 and Lot 2) Morgan Sindall responsive repairs contract on 30 September 2024.

### Information to note

4. Attached in **Appendix 3** is the outcome of the procurement process which is not for publication as it contains information relating to the financial or business affairs of any person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
5. The proposed contract to Wates Property Services Ltd is a value and time limited award to support the delivery of good quality repairs, voids and maintenance services for our HRA housing stock until 2027.
6. It must be noted that no aged work in progress (WIP) or historical jobs will be passed over to Wates Property Services Ltd on 1 October 2024 and new repairs only will be issued.

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**Wards Affected:** All

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Our Values	Summary of How This Report Aligns to the H&F Values
Building shared prosperity	This contract has social value built into it as social value was weighted within the procurement exercise. This contractor has offered a social value plan that looks to drive positive outcomes in relation to local communities. Focussing on community led social value outcomes will result in building shared prosperity.
Creating a compassionate council	The council is obliged to ensure homes are kept in a state of repair so residents can live in safe,

Our Values	Summary of How This Report Aligns to the H&F Values
	<p>warm environments. Overdue repairs negatively impact our tenants.</p> <p>Furthermore, this contract was procured with a critical emphasis on our customers' bespoke needs. During contract mobilization, the service and the contractor will co-develop a contract plan that delivers a repairs service embodying customer care principles such as empathy, respect and responsiveness. This approach will ensure that we are a caring and compassionate local authority that takes a customer-driven approach to delivery.</p>
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 contract was procured under a tendering exercise that promoted cost competition via a 60% Quality and 40% cost ratio. This cost competition has therefore driven value for money outcomes.
Taking pride in H&F	It is important that the Council provides tenants with homes to be proud of. The recommendations are designed to improve the responsive housing repairs service to achieve a service that residents can be proud of.
Rising to the challenge of the climate and ecological emergency	The contractor has agreed to our climate and carbon charter. Throughout the lifetime of the contract, the repairs service will also look for continuous improvement opportunities within the contract to drive improvement in this area.

### Financial Impact

The contract is estimated to be £28.43m over a three-year period or an annual spend of £9.48m.

One-off costs of mobilisation of £0.15m are included in the above costs and will be incurred in 2024/25.

Although the part-year costs of this contract are expected to be within the specific budgets created for this purpose, the latest monitoring report (CRM 4) for the Housing Revenue Account forecasts an overspend of £7.2m overall.

Based on the contract specification (detailed in para.14) and historical capitalisation of works, the table below sets out an estimate of the split of revenue and capital costs on an annual basis and over the three-year term of the contract.

<b>Nature of Spend</b>	<b>Annual</b>	<b>Three Years</b>
	<b>£000s</b>	<b>£000s</b>
Revenue	6,546	19,638
Capital	2,932	8,796
<b>Total Contract Costs</b>	<b>9,478</b>	<b>28,434</b>

### **Funding**

The table below sets out the approved annual revenue and capital budgets<sup>1</sup> which will support the costs of this procurement. The revenue budgets are those approved for 2024/25 whereas the capitalised repairs budget is the average of the approved budgets over a three-year period (2024/25 – 2026/27).

<b>Work Type</b>	<b>Lot 1</b>	<b>Lot 2</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Asbestos	39	52	<b>91</b>
General Repairs	2,284	2,776	<b>5,060</b>
Voids	513	649	<b>1,162</b>
Disrepairs	185	224	<b>409</b>
<b>Revenue</b>	<b>3,021</b>	<b>3,701</b>	<b>6,722</b>
Capitalised Repairs	-	-	<b>6,190</b>
<b>Total Annual Budget</b>	<b>3,021</b>	<b>3,701</b>	<b>12,912</b>

Assuming that revenue and capital costs are incurred in line with the estimated contract costs outlined above, this means that the available budgets will be sufficient to cover the annual costs of £9.478m.

### **Part-Year Effect**

As the new contract commences in October 2024, there will be a part-year effect associated with the costs and funding of the new procurement during 2024/25.

The contract estimate value includes CPI annual projections in addition to the one-off mobilisation costs.

<sup>1</sup> Revenue budgets included in “The Housing Revenue Account (HRA) Budget (2024/25), Rents & Service Charges (2024/25) and HRA 10 Year Business Plan (2024/25 – 2033/34) approved by Cabinet on 12 February 2024. Capital budgets included in “Four Year Capital Programme 2024-28 and Capital Strategy 2024/25” approved by Cabinet on 12 February 2024.

Although the part-year costs of this contract are expected to be within the specific budgets created for this purpose.

### **Risks**

The cost of this procurement is affordable within the current long term business plan for the Housing Revenue Account, subject to any updates that may be required over the term of this contract due to changes in a range of key drivers including national and Council rent policy, inflation, interest rates, and government regulations. Furthermore, the existing budgets are currently used not only to cover the costs of the existing general repairs contract (which recently have been reduced), but also interim contractors and to support the costs of the expanded Direct Labour Organisation (DLO) (as set out in paras.1-4).

Finance officers will work closely with repairs colleagues to carefully monitor, plan and control costs to ensure that they are contained within the available approved budgets, affordable with the long-term business plan and to avoid any call on the Housing Revenue Account (HRA) general reserve.

### **Financial status**

As part of the tender process, a credit check was carried out on Wates Property Services Ltd on 27 August 2024 and has indicated a low-risk credit rating of 96 and the suggested contract limit of £96m is more than sufficient for the value of the proposed contract.

*Danny Rochford, Head of Finance (Housing), 27 August 2024*  
*Verified by James Newman, AD Finance, 10 September 2024*

### **Legal Implications**

The Council is obliged to undertake these works of repair to its housing stock as part of 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 public works contract under the Public Contracts Regulations 2015 (PCR). This means that the advertising and competition requirements under these regulations need to be complied with. The contract was advertised as a mini competition under the National Housing Management Forum (NHMF). The NHMF framework was advertised in accordance with the requirements of the PCR. The Council is entitled to call-off under this framework and the mini-competition was conducted in accordance with the rules of the framework.

This is a high value contract under the Council's Contract Standing Orders (CSOs). The use of a suitable third-party framework in accordance with its terms is a compliant method of procuring a contract of this value under the CSOs. The procurement has been carried out in accordance with the terms of the framework which allows for mini competitions. The requirements of CSO 18 have therefore been met.

The Council has previously decided to terminate the existing contract with Morgan Sindall by mutual agreement. The ending of this contract needs to coincide with the beginning of the new contract. It is anticipated that the workforce currently employed

by Morgan Sindall will transfer to Wates pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006.

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

*John Sharland, Assistant Director of Legal Services, 8<sup>th</sup> August 2024*

## **Background Papers Used in Preparing This Report**

None.

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## **DETAILED ANALYSIS**

### **Background**

1. Between late 2022 and early 2023, there was a backlog of revenue and complex/capital repairs, disrepair works, and voids. These had negative impacts on tenants, generated complaints and failure demand costs and created risk in terms of further legal challenge and compensation cost and continued rent loss due to overdue voids.
2. In the earlier part of 2023, to tackle the backlog, we onboarded five new interim contractors, to support with general building works, capital disrepair, and voids works. The new supply chain was specifically procured to target complex and high-risk jobs. By removing this workstream from Morgan Sindall, it allowed them to utilise their existing capacity to complete and focus on day-to-day repairs only.
3. In the later part of 2023, due to continued pressures in relation to day-to-day repairs, the council started to onboard several smaller repairs contractors to target day-to-day repairs such as plumbing, electric, and damp and mould cases, to support the service to return to a business-as-usual position.
4. To further support the reduction of service delivery pressures and an improved customer journey, the council has increased its Direct Labour Organisation (DLO) capacity. This has included the direct management of repairs for sheltered accommodation properties.
5. The above actions are yielding positive outcomes in relation to reducing 'works in progress' and increasing the timely resolution of work order completion.
6. Although positive outcomes are being yielded in relation to paragraph 5, the service has identified that the current contract capacity will not adequately cover forecasted work order demand between August 2024 and July 2027.
7. On this basis, we have identified the need to source a contractor to replace Morgan Sindall and ensure the continuation of sustainable improvements to the

repairs service while the longer-term post-August 2027 repairs plan is commissioned and implemented.

8. To procure a new contract with appropriate speed and value for money, in line with Appendix 2 (Procurement Strategy) we undertook a mini competition from The National Housing Management Forum (NHMF) Framework 'Responsive Maintenance and Void Property Works' to source a three-year contract.
9. This procurement exercise has now concluded and Wates Property Services Ltd have been identified as the preferred bidder. Please see Appendix 3 (Procurement Results) for a detailed breakdown of all tender scores.
10. We are now seeking approval to award a three-year contract to Wates Property Services Ltd for up to £28.43m. We will commence the contract from 1 October 2024.
11. We also seek to formally terminate the Morgan Sindall Property Services Ltd. contracts for Lot 1 and lot 2 as of the Monday, 30 September 2024.

### **Reasons for Decision**

12. To continue sustained improvement of responsive repairs, relating to general repairs, disrepair, and void works. This will offer stability to our residents and our homes.
13. To control the costs of the service through commercially astute application of contracts and negotiated agreements with contractors.

### **Contract Specifications Summary**

14. The contractor will cover the services currently being delivered through the current term contracts, augmented by additional planned preventative maintenance activities. In summary these comprise:
  - a) Emergency callouts and repairs
  - b) Day to day repairs to internal properties
  - c) Communal repairs (excluding Mechanical and Electrical)
  - d) Community Hall Repairs
  - e) Planned preventative maintenance and ad hoc 'lifecycle' renewals (i.e., excluding major works included in the capital programme) for:
    - i. Gutter clearance
    - ii. Drainage works
    - iii. Kitchen replacements
    - iv. Bathroom replacements
    - v. Window replacements
    - vi. Roofing renewals
    - vii. Damp and mould improvement work.
    - viii. Decorating
    - ix. Energy Performance Certificate (EPC) surveys (in the course of a repair / void works)
  - f) Voids

- g) Disrepair
- h) Damp and Mould
- i) Specialist ventilation
- j) Scaffolding
- k) Roofing

15. The contract will be for a maximum duration of 36 months.
16. The current term repair contracts in use by the council are based on a Joint Contract Tribunal (JCT) contract with a Price Per Property (PPP) inclusive element that asked Morgan Sindall to provide repairs to 9,500 homes. The new contracts will utilise a National Housing Federation (NHF) schedule and form of contract, which is based on repair volumes with each individual job valued on completion of works. This NHF contract will better financially incentivise delivery of repairs in our homes focusing on quality and satisfaction.

### **Analysis of Options**

17. There were a range of procurement options available to procure providers of these works. They were as follows:
- Competitive tender
  - Mini competition from a suitable framework or Dynamic Purchasing System (DPS)
  - Direct award from a suitable framework
18. 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. A direct award from a framework provides less ability to specify what is wanted and thus leaves more limited assurance.
19. Competitive tender can take several months to seek tenders and evaluate the results, before contract award Governance can begin. Mini competition is quicker as the suppliers have already passed through a first stage qualification to get appointed onto the framework.
20. Direct Award from a suitable framework would be the quickest option, but may still take several months to conclude the procurement strategy and contract award governance.
21. Balancing (i) the need to ensure that we stimulate cost and quality competition (to achieve both the best value for money and the most appropriate solution) and (ii) the need for a relatively fast turnaround, we seek approval for a mini competition from the NHMF Framework, (responsive maintenance and void property works).
22. This framework was selected on the basis that it has a high number of suppliers contained within it and of these, there is a good Small and Medium-sized Enterprise (SME) 'mix'. The fees pertaining to this framework are also very competitive.



23. The conclusion of the tendering exercise demonstrated that the desired outcomes mentioned in paragraph 21 were achieved.

### **Risk Management Implications**

24. There is a financial risk that the termination agreement with Morgan Sindall may be open to retrospective challenge leading to lawsuits and financial recompense. Whilst this risk cannot be entirely mitigated a thorough review of the termination agreement should be undertaken by specialist contract termination solicitors who will advise in ending the contract in the correct way to avoid later problems.
25. There is a severe reputational risk of delivery issues encountered by the new supplier Wates Property Services Ltd. Any issues surrounding delivery management, quality of outputs, communications and engagement are likely to lead to further negative outcomes for LBH&F.
26. It is imperative therefore Wates Property Services Ltd are fully cognisant of the scale, complexity, and deliverable timescale expectations prior to engagement to prevent disputes later.
27. In addition, the engagement must be closely managed by LBH&F with defined processes, management structures and reporting. This must include, but not be limited to a delivery plan, communication plan, defined escalation routes, change control mechanisms, and rigorous reporting.

*Jules Binney, Risk and Assurance Manager, 23<sup>rd</sup> August 2024*

### **Climate and Ecological Emergency Implications**

28. This supplier has confirmed compliance with our Carbon Charter.
29. Moreover, as part of their social value commitment, this provider has set out clear reduction targets in relation to carbon emissions outputs.
30. They have also committed to providing other environmentally driven outputs such as: providing expert business advice, contributing cash sums to local environmental initiatives and volunteering with conservation initiatives.
31. As this is a short-term contract there is a limit to the improvements the council can require over its lifetime. A long-term repairs model will be developed during the coming year, within which the council will set more stringent requirements on the contract in line with its net zero commitments.
32. Achievement against these targets will be monitored by the Client Contract Management team.

*Verified by: Jim Cunningham, Strategic Lead for Net Zero Housing, 23<sup>rd</sup> August 2024*

## Procurement Implications

1. The Procurement and Commercial team have been involved throughout this procurement. The moderated evaluation scores have been assured and the weighted scores are correct in line with the methodology published in the procurement document suite for this project.
2. The Procurement and Commercial team have confirmed all Conflict of Interest and Confidentiality Undertaking Declarations have been completed for this requirement.
3. 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 [capitalEsourcing](#) eProcurement portal.
4. The contract must be added to the [capitalEsourcing](#) eProcurement portal, to ensure it is published on the Council's [Contract Register](#) in line with the legislated transparency obligations.
5. A named contract manager must be allocated to the contract on the Council's [capitalEsourcing](#) eProcurement portal.

*Chris Everett, Category Lead – Procurement and Commercial, 23<sup>d</sup> August 2024*

## 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. As part of the procurement exercise, this contractor has provided a social value commitment and delivery plan that complies with our procurement-ask.
35. The social value outcomes will be added into the contract as contract deliverables. The Repairs team will monitor and managed delivery of these outcomes.
36. Any non-compliance will result in performance/contract management and penalties.

*Verified by Oliur Rahman, Head of Employment and Skills, 20<sup>th</sup> August 2024*

## LIST OF APPENDICES

Appendix 1 – Equalities Impact Analysis

Appendix 2 – Procurement Strategy

**Appendix 3 – Procurement Process/Scores – (Restricted)**