

LONDON BOROUGH OF HAMMERSMITH & FULHAM

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

Date: 10 October 2024

Subject: Procurement Strategy and Contract Award to United Living for the design, supply, installation and commission of fire safety infrastructure

Report Author: Nicholas Marco-Wadey, Head of Contract Governance

Responsible Assistant Director: Richard Buckley, Assistant Director of Building and Resident Safety

Director: Richard Shwe, Director of Housing

SUMMARY

As part of H&F's ongoing drive to enhance residents and buildings safety it is proactively extending the installation of fire suppression systems across its higher risk buildings, with over 600 homes already protected. H&F has committed further investment of circa £14.712 million to achieve this goal.

To deliver this work programme, in May 2024, Housing Officers as agreed by the Assistant Director of Residents and Building Safety, Director of Housing has procured a competent consultant to act as the Principal Designer (required in law) to support in the delivery of this programme. This consultant is now working through our programme and on that note, to undertake the first project within this programme, we are seeking approval to compliantly direct award a contract to United Living (via the London Housing Consortium, RM3 framework for the Multidisciplinary) to undertake safety works at Michael Stewart House.

These works will comprise of the design, supply, installation and commission of a category four sprinkler system to all dwellings of a sheltered block and the communal areas including the construction of a single-story plant building within the grounds. We anticipate the value of these works costing £1,280,024.00. We are aiming to start these works in October 2024.

RECOMMENDATIONS

1. Approve the procurement strategy to direct award a £1,280,024 contract to United Living under Workstream 5: Multidisciplinary Works of the London Housing Consortium (LHC) Refurbishment and Modernisation (RM3) framework.

2. Approve the contract award of £1,280,024 to United Living Workstream 5: Multidisciplinary Works of the LHC Refurbishment and Modernisation (RM3) framework.

Wards Affected: All

Our Values	Summary of How this Report Aligns to the H&F Values
Building shared prosperity	The contractor will be required to deliver Social Value as per the Framework call-off. This should have a positive impact on local wellbeing and prosperity.
Creating a compassionate council	The works undertaken via this programme will ensure that our buildings will have robust and compliant fire-safety infrastructure and therefore by undertaking this programme we are providing our residents with safe and quality housing.
Doing things with local residents, not to them	This work is driven by strict regulation and building control guidelines. The service however do inform residents of their workplan via coffee morning, letters/flyers and attendance at resident forums.
Being ruthlessly financially efficient	Our cost consultant, Baily Garner, undertook a value for money report on United Living's proposal. This report confirms that both the solution and costings resemble value for money.
Taking pride in H&F	It is important that the Council provides tenants with homes to be proud of. Safe and compliant buildings is the first and foremost fundamental step in achieving this ambition.
Rising to the challenge of the climate and ecological emergency	This contractor has taken proactive and strategic steps to planning a response in relation to climate and ecological emergency. More detail can be found in the 'the climate and ecological emergency implications' section.

Financial Impact

1. The report seeks approval to appoint a contractor, United Living (South) Limited to design, supply, install and commission a sprinkler system at Michael Stewart

House, at a total cost of up to £1,280,024. The works are expected to commence in October 2024 and at an average cost of £12,308 per unit, the cost is expected to span financial years 2024/25 and 2025/26. The projected annual rental income based on current tenant occupancy is £782,829, therefore the investment payback period is approximately 2 years.

2. Payments will be made in instalments based on the progress of works to a satisfactory standard and the achievement of milestones, which will be monitored by service colleagues and the contract administrator, Baily Garner. The contract award report for the provision of consultancy services by Baily Garner was granted Cabinet Member approval in February 2024.
3. The Housing Revenue Account (HRA) Asset Management 4-Year Capital Programme for 2024-28 was approved by Cabinet in February 2024 and contained a budget provision for the fire safety compliance programme, of £14.712m across financial years 2024/25 to 2027/28. The cost of the proposed schemes will be funded from approved uncommitted funding on wet risers, sprinklers, and associated Fire Protection Initiatives, which has been allocated to the Fire Safety team.
4. A Credit Safe report run on Monday, 1 July 2024 on the supplier United Living (South) Ltd, showed a credit score of 83 (very low risk) and a contract limit of £36,000,000. This is sufficient for the contract to be awarded and in view of the suggested contract value being higher than the value of the procurement.
5. 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 prepared by: Anjeli Chadha, Principal Accountant – Housing Capital, 1st July 2024

Verified by: Danny Rochford, Head of Finance, 2nd July 2024

Legal Implications

1. The Council has obligations to undertake this work under the Regulatory Reform (Fire Safety) Order 2005 and the Fire Safety (England) Regulations 2022.
2. The works are below the threshold for the Public Contracts Regulations 2015 (PCR) to apply. There are therefore no statutory requirements relating to this procurement.
3. This is a high value contract under the Council's Contract Standing Orders. The use of a suitable third-party framework in accordance with its terms is a compliant method of procurement for a contract of this value. The Council is entitled to call-off contracts under the London Housing Consortium Framework RM3 Multidisciplinary, which allows for direct awards of contracts. The proposed procurement strategy and award is therefore compliant with the Council's Contract Standing Orders (CSOs).

4. This is a 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, 3rd July 2024

Background Papers Used in Preparing This Report

None.

DETAILED ANALYSIS

Background

1. The Building Safety Act 2022 and the Fire Safety Act 2021 and associated Fire Safety Regulations 2022 post Grenfell place rigorous prescriptive requirements on landlords. These include the registering of higher risk buildings (7 storeys or more) with the Building Safety Regulator and demonstrating the buildings are safe both in terms of fire and structure. This requires an in depth understanding of the fire strategy for the buildings based on the original design intent in terms of active and passive fire safety measures, any subsequent modifications, the assessment of any risks and required control actions/works, the management of the building including maintenance and repairs and compliance checks.
2. Higher risk buildings are higher risk owing to their height, design, layout, number of staircases, firefighting arrangements etc, which in the event of a fire increase the risk owing to increased firefighting time and in a significant emergency altering the evacuation strategy from stay put to get out. There can be a greater risk to those with disability who are unable to evacuate if a fire starts in their own flat but also evacuate the wider building where the only escape route is a single staircase.
3. Reducing the risk and enhancing safety to our residents as a landlord and the Principle Accountable Person and Responsible Person is a key focus for H&F. Installing suppression systems is known to significantly reduce the risk by controlling a fire at source and limiting its likelihood of reaching temperatures that can lead to the fire extending beyond its seat of origin and spreading further either internally or externally enabling escape for the residents within the flat, protecting other residents in the building and firefighters reaching the scene who will be met with a smaller if not extinguished event. All new residential builds over 11 metres in height now require fire suppression systems.
4. The service has constructed a provisional installation programme. This work programme will be undertaken over a four-year period and is estimated to cost £14.712m pounds.
5. To deliver these works, we sourced and instructed a Principal Designer (Baily Garner) to undertake design and feasibility of this programme in May 2024, in a

manner that achieves health and safety, quality, cost, and time-based outcomes and resident engagement.

6. As part of their work, they have now identified works at Michael Stewart House being required to fulfil the objectives mentioned in paragraphs 1-4.
7. These works will comprise of the design, supply, installation and commission of a category four sprinkler system to all dwellings of a sheltered block and the communal areas including the construction of a single-story plant building within the grounds. We anticipate the value of these works costing £1,280,024.
8. We have sourced a quote from United Living (South). Our cost consultant Baily Garner have provided a thorough assessment on the solution and costs and deem this offer to be good value for money. On that basis, we now wish to proceed with this quote to undertake these works in 2024.
9. We are engaging with United Living (South) through the London Housing Consortium Refurbishment and Modernisation framework (Workstream 5: Multi-Disciplinary Works). This framework allows us to compliantly direct award a contract, providing we have used United Living (South) before, on other works. We can confirm we meet this criterion.
10. We are therefore seeking approval to enter into a contract with United Living (South) for £1,280,024, with a view to commencing this contract as soon as possible, in 2024.

Reasons for Decision

11. These works are needed to ensure we have housing infrastructure that complies with Fire Safety Regulations.
12. Given the analysis provided in 'procurement route analysis of options' section, we believe a direct award via Workstream 5: Multi-Disciplinary Works of the LHC Refurbishment and Modernisation framework is the most viable option.

Contract Specifications Summary

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

Contract	Contract value	Description of Works/Services
JCT Works Contract.	Up to £1,280,024.00	Design, supply, installation and commission of a category four sprinkler system to all dwellings of a sheltered block and the communal areas including the construction of a single-story plant building within the grounds

Procurement Route Analysis of Options

14. **Option 1: Undertake a full regulated procurement process, advertised to the market (Not Recommended)**

This option offers a strong degree of competition, as it allows the whole market to bid for the opportunity, providing the opportunity for suppliers to bid for the work and compete with one and other as part of a cost and quality competition. This competition stimulates an environment whereby H and F can be confident that suppliers compete to offer the best and most competitive blend of quality and value for money in their bids.

The disadvantage is that the time it takes to deliver them. Competitive tender can take several months to seek tenders and evaluate the results, before contract award Governance can begin. The service urgently needs to progress these works to stay on track with the Fire Safety Programme and therefore have ruled out mini competition on this occasion, because of the time required to procure using this option.

15. **Option 2: Procure using a compliant framework or Dynamic Purchasing System (DPS) (Recommended)**

The framework permits two buying options, mini competition and direct award.

The service urgently needs to progress these works to stay on track with the Fire Safety Programme and therefore have ruled out mini competition on this occasion, because of the time required to procure using this option. Whilst typically quicker than a full regulated procurement process, advertised to the market, the mini competition would still take a longer timeframe than is available to procure this service to deliver the works.

Direct Award from a suitable and compliant framework would be the quickest option. Upon research of appropriate frameworks, we are seeking to compliantly direct award a contract using Workstream 5: Multi-Disciplinary Works of the LHC Refurbishment and Modernisation framework.

This framework assessed suppliers on a 70% quality and 30% price basis. Untied Living (South)'s score complies with our quality standards.

Unlike traditional frameworks who rank their suppliers based on a quality/cost split, this framework does not rank suppliers and allows for a compliant direct award based on 4 justifications. The justification that applies to this procurement is 'Direct award to a supplier who has been appointed to work for the organisation in a similar capacity (they do not need to have worked on the same programme/masterplan)'.

16. These options provide varying levels of assurance that the resulting providers are value for money. Option 1, a full regulated procurement process, advertised to the market, below provides the highest guarantee of value as it is open to the whole market, whereas Option 2, direct award from a framework, provides a limited degree of assurance (from the fact of the competition required to get onto the framework in the first place).

Market Analysis, Local Economy, and Social Value

17. The construction works market is very well developed and mature. There are many available contractors to choose from via a range of well-developed procurement frameworks. Given the value and technical complexity of these works, the contractors often are of a medium to large size and often with a national focus. Small and Medium-sized Enterprises (SMEs) are a valued part of the supply chain and often work as specialist subcontractors to the main contractor. Due to the mature nature of the market, we have a strong insight into market rates and market delivery models.

Risk Assessment and Proposed Mitigations

18. The Client in conjunction with our appointed consultant (Baily Garner) team will proactively monitor and closely contact manage the Contractor to ensure that the contract Key Performance Indicators (KPIs) are delivered in line with the contract.
19. The contract will contain default/termination clauses in the event that the consultant's performance is either consistently inadequate or cannot be remedied.

Timetable

20. The timetable below provides an estimate of the competition process through to contact commencing.

Activity	Date
Key Decision Entry (Procurement Strategy and Contract Award)	24/05/2024
Contracts Assurance Board (Procurement Strategy and Contract Award)	28/08/2024
SLT/Cabinet Member/Cabinet Sign off (Procurement Strategy and Contract Award)	05/09/2024
Contract engrossment	15/10/2024
Contract mobilisation and implementation	15/10/2024
Contract Commencement date	15/10/2024

Contract Management

21. The contract will be primarily monitored and managed by our consultant (in the capacity of contract administrator. The Fire Safety Works client team will monitor and manage risks based on the insights provided by our consultant.
22. The contract will include a requirement for regular contract reviews. These reviews will include: a review of progress against the project, performance against the KPIs and wider contract terms and conditions, discussions and resolutions around any issues that have materialized and any emerging contractual risks.

23. The contract will also set out general working practices expected of the contractor. Adherence to these practices is again managed as per paragraph 24.
24. Social Value will be monitored and managed by the Fire Safety Works Service with support of the Contract Governance Team.

Equality Implications

25. These works will help our most vulnerable residents as we are inputting infrastructure that will protect safety of our housing residents (which are mostly social housing residents).

Yvonne Okiyo, Strategic Lead for Equity, Diversity, and Inclusion, 12th of September 2024

Risk Management Implications

26. There is a delivery risk that the complexity of the initiative will meet obstacles during delivery. This translates in turn to a resulting financial and reputational risks. The risk is managed as noted above in that the contract may be suspended, however further rigour in delivery success can be realised through regular, verified project reposting (including plans, delivery, finances, and changes) direct contact with residents for whom the systems are being installed to assess disruption and engagement. In addition, it is recommended that unannounced spot checks are initiated to assess the quality of works.

Jules Binney, Risk and Assurance Manager, 14th August 2024

Climate and Ecological Emergency Implications

27. As part of our supplier due diligence, we have asked United Living (South) to set out their method statement for responding to climate and ecological emergency.
28. This process has confirmed that United Living (South) specifically have a strategy aim centred on 'care for our environment'.
29. This involves committing to three challenging targets in response to the rising challenge of the climate and ecological emergency, which are to achieve net zero by 2030, zero avoidable waste by 2030 and eliminate single use plastics by 2030.
30. Examples of initiatives following on from these targets include continually reviewing the exchange of vehicle fleet to move to greener alternatives and to upskill the team in environmental awareness. United living property services also trialled Boss cabins on one of the south London projects. The cabins use

solar power and other sustainable solutions such as rainwater harvesting to reduce resource intensity producing a net zero alternative to regular cabins.

31. United Living have also begun to achieve these targets by upgrading their certifications across the board to BSI accreditation, signing up to the compliance people and reviewing and updating their incident reporting system Eco Online to produce a proactive reporting system.
32. Also, they have been upskilling in key environmental industry relevant topics such as waste, spills, nesting birds and ecology.
33. Further to this, they have been reviewing their supply chain by signing up to tools such as the supply chain sustainability school to ensure all their suppliers are in alignment with the company targets and to ensure that sustainable targets are prioritized.
34. Finally, this year, United Living (South) have a goal to evaluate its current carbon reporting systems to generate more usable data to aid informed decisions to make more carbon savings. This is a really beneficial strategic monitoring approach in this area, and us as a client should benefit from this outcome.
35. To ensure that all of the above outcomes are realized, through our contract management, we will continuously track United Livings progress in relation to the above.

Verified by Hinesh Mehta, Assistant Director Climate Change, 16th August 2024

Procurement Implications

36. It is recommended the procuring officer works with the Procurement and Commercial team to ensure the call-off is undertaken compliantly and in accordance with the Public Contracts Regulations 2015, framework terms of use, and the Council's own Contract Standing Orders.
37. The framework proposed for use requires full due diligence checks to be undertaken and assured. Details were requested from the framework provider on Monday, 19th August 2024 and are awaited.

Chris Everett, Category Lead – Procurement and Commercial, 19th August 2024

Local Economy and Social Value Implications

38. It is a requirement that all contracts awarded by the council with a value above £100,000 provide social value commitments.
39. This Framework factored social value in as part of its framework qualification process. More specifically, the overall quality weighting of 70% applied 20% of this quality rating to social value questions.

40. The areas of social value covered by the framework can be seen in figure 1, below.

Figure 1 – Framework Social Value Approach



41. As part of the contract award process, we will ask United Living to develop a social value plan.
42. As well as this, the contractor has agreed to deliver £128,058.75 worth of social value. This has been committed to and evidenced via their completion of the TOMS matrix.
43. The Fire Safety team and the Contract Governance team will work with the Legal Service to ensure appropriate social value clauses are included in the contract so that the council can enforce its right to financial remedies if social value commitments are not delivered.

Verified by Oliur Rahman, Head of Employment and Skills, 14th August 2024

Consultation

44. As these works are driven by legislation and Health and Safety regulation, there is no consultation because the client team are required to adhere to a strict framework of rules.
45. That said however briefings and updates will take place with those affected by the programme.

Property Implications

46. This programme involves work to our housing stock, the works are managed in manner that avoids disruption to residents.
47. This programme ultimately will have a positive impact on our properties as they will have safer fire-safety assets within their properties.

Danny Doyle, Head of Fire Safety Works, 24th May 2024