

## **LONDON BOROUGH OF HAMMERSMITH & FULHAM**

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

**Date:** 19 May 2025

**Subject:** Electrical Term Service Contract Arrangements

**Report authors:** Richard Buckley, Assistant Director, Residents and Buildings Safety

**Responsible Director:** Richard Shwe, Director of Housing

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### **SUMMARY**

In October 2019, a Cabinet report approved a procurement strategy for a term service contract for electrical asset repairs and maintenance within the Council's housing stock. The contract was for a total value of £14,716,000 and for a maximum term of 7 years (a 5-year initial term plus an allowable 24-month extension period).

The winning contractor, AJS Ltd., is no longer able to continue with this contract and on this basis, we are seeking to terminate the contract with AJS Ltd. (effective immediately) and award the contract to the reserve contractor, OpenView Security Solutions Limited (effective immediately).

To allow for service continuity and stability, we propose offering OpenView Security Solutions Limited a contract which covers the remainder of the initial contract term (expires Thursday, 31 July 2025) and the two-year extension until Saturday, 31 July 2027. This will have a cost implication of £8,900,000.

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### **RECOMMENDATIONS**

1. Approval to formally terminate the Electrical repairs and maintenance term-service contract with AJS Ltd. This will take effect immediately on approval of the report.
  2. Approval to award the electrical repairs and maintenance term-service contract to the reserve contractor, OpenView Security Solutions Limited.
  3. Approval to extend the term of the electrical repairs and maintenance term-service contract to Saturday, 31 July 2027, which is permissible under the terms of the current contract. This will have an approximate cost implication of £8,900,000.
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**Wards Affected:** All

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Our Values	Summary of how this report aligns to the <a href="#">H&amp;F Corporate Plan</a> and the H&F Values
Building shared prosperity	Well maintained and safe homes are an important foundation for our tenants' prosperity. As part of the original procurement, the contractors made social value commitments relevant to this priority, around apprenticeships, training, and employability schemes.
Creating a compassionate and inclusive council	The electrical contractors were ranked partly based on qualitative questions including those that focus on customer experience. The contract sets high standards around customer experience, dignity and respect, and equality, that the contractor must abide by.
Doing things with local residents, not to them	Two tenant/leaseholder representatives took part in the evaluation of initial tenders – scoring a question on customer experience. Furthermore, we are looking to extend this contract for two years, to offer us more time to engage with residents around the longer-term commissioning model of repairs (inclusive of electrical assets).
Being ruthlessly financially efficient	The electrical contractors were ranked partly on the basis of their price (a 60:40 quality:price ratio was applied). The procurement process involved a five-week negotiation period to ensure there was absolute clarity about the commercial model and payment terms in the contract, to ensure the reserve contractor priced correctly, and any risk of future disputes were minimised. The service will contract manage the new contractor to ensure that their tendered pricing is adhered to.
Taking pride in H&F	In recent times, the incoming contractor has undertaken several electrical projects on behalf of the Council, to a high standard. This level of performance is what we expect to be proud of our electrical repairs and maintenance offering.

Our Values	Summary of how this report aligns to the <a href="#">H&amp;F Corporate Plan</a> and the H&F Values
Rising to the challenge of the climate and ecological emergency	<p>As part of the contractor's social value commitment, they have agreed to employ local residents. They have estimated that by doing so, they will reduce annual car mileage by 19,200 miles. This will result in less fossil fuel emissions. This therefore offers a practical step towards tackling climate change.</p> <p>Furthermore, this contractor has a robust and comprehensive carbon reduction plan which covers changes to their office space so that they have LED lighting installed and their fleet being electric and hybrid. They have also offered commitment to upkeeping their accreditation 'IS4001:2015 environment management systems'.</p>

## Financial Impact

The report seeks approval to direct award a 2 years and 4 months contract to OpenView Security Solutions matching the current contract period up to 31 July 2027.

The contract costs are expected to be both revenue and capital in nature. Based on a review of the expected costs of £8.9m across financial years 2025/26 to 2027/28, a sum of £5.2m is expected to be spent on electrical rewiring and TV aerial upgrade works, which are capitalisable costs.

Revenue spend for the period is expected to remain within the budget of £1.6m per year for the contract period (£3.7m in total).

The HRA Asset Management 4-Year Capital Programme and Q3 2024/25 budget variations was approved by Cabinet in February 2025 and contained a budget provision for electrical safety works of £15.1m across financial years 2025/26 to 2027/28, of which £7.8m has been set aside for electrical rewiring, door entry upgrades and TV aerial upgrade works. This is sufficient to cover the estimated capital component of the procurement cost in this report.

A credit report on OpenView Security Solutions Ltd., generated 24 March 2025, suggests a very low financial risk to the Council in awarding the contract. The company is evaluated with a financial risk score of 84, above the minimum required by the Council of 50, and a maximum recommended contract award value of £12.5m which is more than sufficient for this procurement.

Work provided is recorded and managed in the Northgate Housing Management system and payments for work must be recorded as completed and approved by the M&E team prior to payment being made.

*Completed by: Mark Collins Principal Accountant (HRA Revenue) and Anjeli Chadha, Principal Accountant – Housing Capital, 21<sup>st</sup> March 2025*

*Verified by: Danny Rochford, Head of Finance (Housing), 24 March 2025*

## **Legal Implications**

The Council is legally obliged to undertake these works to comply with its duties as a landlord under the Landlord and Tenant Act 1985.

The contract with AJS is on the terms of the JCT Measured Term Contract. This provides a basis for awarding individual orders for works as and when required. The proposed termination is agreed with the Contractor. This will need to be the subject of a formal cessation agreement. Any employees of AJS who are dedicated to this contract will have their employment transferred to OpenView under the Transfer of Undertakings (Protection of Employment) Regulations 2006.

The appointment of OpenView as the reserve contractor took place when the contract was originally awarded to AJS. There does not need to be any further procurement for OpenView to be appointed. There will need to be a contract put in place which will replicate the contract originally awarded to AJS.

The contract with AJS (now with OpenView) is above the threshold for the Public Contracts Regulations 2015 (PCR) to apply. Any extension therefore needs to be compliant with regulation 72 of the PCR which sets out the circumstances in which the contract can be modified without the need for a new competition. Under regulation 72(1)(a) a contract can be changed if this is in accordance with a clear, precise and unequivocal review clause. The contract contains a provision allowing for the extension of the contract with the agreement of the contractor for a period or periods of up to twelve months. This clause is compliant with regulation 72 and the extension is therefore permissible under the PCR.

This is a high value contract under the Council's Contract Standing Orders and is above the relevant PCR threshold. Under CSO 25.3.1 a contract of this value can only be extended if there is a clear and unambiguous extension provision to extend the contract on the same terms and conditions. As indicated above the current contract contains a clause allowing the Council to extend it on the same terms and conditions. The requirements of CSO 25 will therefore be complied with.

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, Special Projects Lawyer, 4 April 2025*

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## Background Papers Used in Preparing This Report

*None.*

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## DETAILED ANALYSIS

### Proposals and Analysis of Options

1. Hammersmith and Fulham entered into an electrical maintenance and repair term service contract with AJS Ltd. from Saturday 1<sup>st</sup> August 2020. This contract was for an initial term of 5 years and a total of £14,716,000.
2. Over the last 12 months, this contractor has communicated with us that this contract is no longer commercially viable.
3. After extensive Client and Contractor management meetings, we have determined that the best outcome for service performance and continuity would be to mutually terminate the contract as soon as possible.
4. As part of the tendering process that was undertaken to source an electrical contractor in 2020, we appointed a reserve contractor. This allows us to quickly and compliantly activate a replacement, in the event of the above scenario in which the incumbent contractor exits the contract before the end of the initial contract term.
5. This reserve contract is favourable to Hammersmith and Fulham for several reasons:
  - Firstly, the contract has robust terms and conditions and pre-agreed contractual rates. This means that quality, safety, and value for money outcomes can be assured as we have agreements in place that safeguard the achievement of these outcomes.
  - Secondly, the reserve contractor has worked with the client team on several electrical projects over the last few years. They have performed well in these projects and therefore this offers us a level of practical assurance around this contractor's ability to undertake electrical works.
  - Also with this grounding, this contractor has a good orientation in relation to our residents' needs, housing stock and key service personnel, processes, systems and policies. This will enable an agile handover.
  - Finally, the contract award (until July 2027) to the reserve contractor enables us to focus our commissioning and procurement resource and activity on the longer-term repairs model.
6. The activities required to ensure we commission the best long-term model, including:
  - Market engagement;
  - Resident co-production; and
  - Cross-system (procurement and contract) review and development.would not be possible at this juncture, as we need to urgently ensure service continuity and therefore cannot spend sufficient time with planning and development activities.

7. Therefore, ensuring service continuity with an effective offer (as mentioned in paragraph 5) whilst taking a measured and proactive approach to the long-term repairs model, is the preferred method.
8. Any form of procurement or direct award from a framework has been ruled out, as these methods would take a minimum of 3-6 months. These time frames would not allow for many of the 'best in class' commissioning and procurement activities mentioned in paragraph 6. Therefore, if we pursued a procurement or compliant direct award, we would not be able to confidently verify maximum achievement in relation to resident, quality and value for money outcomes.
9. On the above bases, we recommend approving the mutual termination of the AJS contact (effective immediately).
10. We simultaneously recommend awarding the electrical term-service contract to the reserve contractor OpenView Security Solutions Limited (effective immediately).
11. We also recommend that this contract actions the allowable 24-month extension period until Saturday, 31 July 2027.
12. The original contract was let for £14,716,00. The remaining term of the contract will have a cost implication of £9,200,000 and therefore we propose awarding OpenView Security Solutions Limited a contract mirroring this value.

### **Reasons for Decision**

13. The current term-service contractor is no longer able to deliver the contract, and we therefore need to mutually terminate this contract with immediate effect.
14. Hammersmith and Fulham Council has a legal obligation to ensure its properties are maintained and as a landlord it needs to carry out periodic electrical safety checks.
15. Therefore, we need to instruct a replacement contractor to satisfy our obligations under paragraph 5.
16. The original procurement exercise appointed a reserve contractor, OpenView Security Solutions Limited, and on this basis, we seek to award this contract to OpenView Security Solutions Limited, as this offers us the fastest route to service continuity in a manner that is compliant.
17. This contract also offers us a good level of assurance around terms and conditions and value for money as these were agreed upon via a rigorous and robust procurement exercise.
18. To offer both service continuity and allow us to take a methodical approach to commissioning the longer-term model, we want to action the contract allowable extension period of 24 months.

## **Equality Implications**

19. An equalities impact assessment was undertaken for the original procurement strategy and found that 'There are no direct equality implications for groups that share protected characteristics, under the Equality Act 2010, associated with these proposals.' This can be found in Appendix 1 'Original Business Case';
20. The nature of the contract has not changed and therefore there are no additional equality implications as a result of this contract.

*Yvonne Okiyo, Strategic Lead Equity, Diversity and Inclusion, 3<sup>rd</sup> April 2025*

## **Risk Management Implications**

21. There is a financial and management risk that the proposed contractor OpenView Security Solutions will, as AJS was, be unable make a profit and will therefore reduce quality to complete the engagement or other cuts. It is therefore recommended that the contract specifies the expected quality levels (define and track KPIs) and that regular meetings are put in place to track progress and delivery levels.
22. It has been noted that OpenView Security Solutions has received some negative reviews and press recently; such poor publicity could lead a reputational risk to LBH&F as OpenView Security Solutions becomes the 'face' of the Council.
23. As part of the engagement review above, the wider performance, press reporting and resident perception of OpenView Security Solutions should be monitored, assessed and action taken.

*Jules Binney, Risk and Assurance Manager, 3<sup>rd</sup> April 2025*

## **Digital Services Implications**

24. Digital services (DS) are advised that the Business Development team for housing are supporting this project. DS should be engaged to review any dependencies with other council applications and systems.
25. No mention is made of any AI functionality in this report. However, the service should engage with DS prior to enabling any generative AI functionality, to ensure compliance with corporate AI strategy, governance, security, and privacy requirements. The AI Governance Framework form must be completed for any enhancements to existing solutions, as well all new projects and contracts deploying AI capabilities. If colleagues are unsure as to whether a new function falls within the AI framework, they should discuss with DS.

26. Information Management: If not already in place, OpenView will be expected to have a Data Protection policy in place and staff will be expected to have received Data Protection training. The service will need to complete a Data Privacy Impact Assessment and OpenView will need to complete a (Cloud) Supplier Security Questionnaire.
27. Any new or updated contracts arising from this report will need to include H&F's data protection and processing schedule. The supplier will be expected to have a General Data Protection Regulation (GDPR) policy in place and all staff will be expected to have received GDPR training.

*Cinar Altun, Strategy Lead – Digital Services, 8<sup>th</sup> April 2025*

## **Climate and Ecological Emergency Implications**

28. As part of the contractor's social value commitment, they have agreed to employ residents. They have estimated that by doing so, they will reduce annual car mileage by 19,200 miles. This will result in less fossil fuel emissions. This thus offers a practical step towards tackling climate change.
29. Furthermore, this contractor has a robust and comprehensive carbon reduction plan which covers changes to their office space so that they have LED lighting installed and their fleet being electric and hybrid. They have also offered commitment to upkeeping their accreditation 'IS4001:2015 environment management systems'.

*Approved by Hinesh Mehta, Assistant Director Climate Change, 7<sup>th</sup> April 2025*

## **Procurement Implications**

30. There is a "reserve contract" which was established with OpenView Security Solutions Limited. Which is being relied on in this case. Additionally, the contract has the option to extend built into the original agreement at paragraph 3 of the Contract Particulars (page 7), which confirms:

*Subject to clause 7.1, the Contract Period will be the period from 1<sup>st</sup> August 2020 to 31<sup>st</sup> July 2025. The Employer shall be entitled to extend the Contract Period on the same terms by a period or periods of up to a further 24 months with the agreement of the Contractor.*

31. The Contract Manager must upload all associated extension documents and records (e.g., the extension, acknowledgement, etc.) to the Council's [capitalE sourcing](#) eProcurement portal.
32. The Contract Award Notice published to Contracts Finder must be revisited to determine whether it needs to be supplemented by a new Contract Award Notice to the second placed supplier, to satisfy the requirements of the Public Contracts Regulations 2015 for contracts equal to and over £30,000 (including VAT). This will depend on the wording in the original Contract Award Notice



Where this is required, it must be completed using the Council's [capitalEsourcing](#) eProcurement portal.

33. The original contract entry added to the [capitalEsourcing](#) eProcurement portal may need to be updated or supplemented by a new contract entry, based on the change of principal supplier, to ensure it is published on the Council's [Contract Register](#) in line with the legislated transparency obligations.

*Chris Everett, Category Lead – Procurement and Commercial, 4<sup>th</sup> April 2025*

## **Local Economy and Social Value**

34. The Original procurement factored in social value as part of the evaluation.
35. The contractor committed to a range of social value initiatives in the areas of employment, local supply chain spend, cash and advice contributions to local voluntary organisations and Small and medium-sized enterprises (SMEs).
36. OpenView Security Solutions Limited will be required to honour the social value commitments that they tendered on.
37. The Mechanical and Electrical contract management team will monitor and management the contract delivery against their social value method statements.

*Verified by Harry Buck, Social Value Officer (Procurement), 3<sup>rd</sup> April 2025*

## **LIST OF APPENDICES**

### **Appendix 1 – Original Business Case**

<https://democracy.lbhf.gov.uk/documents/s113403/LUD%20-%20Electrical.pdf>