

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet Member for Housing and Homelessness

Date: 05/06/2025

Subject: Gas and Ancillaries Term-Service Contract (Housing)

Report of: Richard Shwe, Director of Housing

Report author: Mara Akrivlelli, Commissioning and Contracts Lead

Responsible Director: Richard Shwe, Director of Housing

SUMMARY

In December 2024, Cabinet approval was granted to undertake a procurement for a gas and ancillaries supplier by mini competition facilitated via the compliant Southeast Consortium's Heating and Water Hygiene Framework, Lot 1 'domestic and commercial heating'. Per appendix B, the procurement exercise has concluded, and a preferred supplier has been identified in line with the evaluation criteria set by the service.

This report seeks approval to award a contract to the supplier assessed as providing the Most Economically Advantageous Tender (MEAT) supplier, Thermoserv Ltd, for an estimated total value of £31,961,300, for a period of 5 years between Friday, 1 August 2025 and Wednesday, 31 July 2030, with the option of 2 further 12-month extensions, up to Saturday, 31 July 2032. This contract is for the provision of gas heating, hot water, and ancillary items (e.g., water booster pumps, firefighting equipment, etc) maintenance, repairs, upgrade, replacement and gas safety compliance over 11,000 domestic boilers and 40 communal boiler systems in housing. Thermoserv Ltd. is the preferred supplier meeting the criteria set out by the service.

The Director of Housing endorses and supports the Assistant Director for Resident and Building Safety and the Head of Mechanical and Electrical will have responsibility for the management of the contract and will work with Thermoserv Ltd. to ensure the successful delivery of works.

RECOMMENDATIONS

1. To agree that Appendix B is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that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. The recommendation in this report is to approve a contract award to Thermoserv Ltd. to provide the services identified in the summary of this report, for a period of up to 5 years at an estimated total value of £31,961,300 revenue and capital.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Corporate Plan and the H&F Values
Building shared prosperity	<p>Designing and delivering a high-quality, responsive and value for money gas service will ensure that the Council's assets are invested in and maintained, and this will in turn provide good quality provision of services to residents of the London Borough of Hammersmith and Fulham (LBHF).</p> <p>Financial and social return on investment will be maximised by encouraging the successful supplier to use local supply chain for the supply of materials and local labour where possible.</p>
Creating a compassionate and inclusive council	<p>The Council is committed to establishing a high-quality, safe and responsive service to ensure residents feel included and well supported.</p>
Doing things with local residents, not to them	<p>Residents have a significant stake in the quality of living in LBHF managed homes. We are keen to invest in a safe and good quality experience for all residents.</p>
Being ruthlessly financially efficient	<p>By undertaking a competitive procurement process via a compliant framework provider, we are satisfied that the competition has rendered cost effective results as it encouraged strong competition among suppliers to win the maximum portion of the 40% price ratio set in accordance with the Council's contract standing orders whilst not compromising quality in service provision.</p>

Our Values	Summary of how this report aligns to the H&F Corporate Plan and the H&F Values
Taking pride in H&F	The Council has a commitment to its residents to ensure its housing stock is safe and fit for purpose. The supplier will deliver works and outcomes to a good standard on behalf of the Council to establish confidence and pride in the service provision.
Rising to the challenge of the climate and ecological emergency	As part of the supplier's social value commitment, Thermoserv aims to make a significant positive impact on the environment and community and support green initiatives.

Financial Impact

The annual value of the contract with Thermoserv Ltd is expected to be £6.4m. Of this, the Council is contractually committed to incur annual spend related to the fixed fee for servicing and maintenance of £3.393m. In addition, it is expected that the Council will also need to incur spend on additional works such as boiler replacements and this is estimated to cost up to a further £15.0m over the five-year life of the contract.

The approved revenue budget within the Housing Revenue Account for domestic and communal gas servicing and maintenance is £3.621m for 25/26. In addition, the Housing Capital Programme includes approved budget of £2.975m for 25/26 rising to £3m for 26/27 and 27/28 for communal and domestic boiler replacement. The contract period in this report covers financial years 2029/30, and part of 2030/31, which is beyond the period of the current approved capital programme. Therefore, the capital budgets for spend on boiler replacements in financial year 2029/30 and beyond will be subject to Cabinet approval as part of the quarterly capital monitoring process.

The majority of the fixed fee is expected to be revenue in nature, with the additional works expected to be capital. As the exact nature of the works cannot be known at this point, analysis of the spend incurred as the contract progresses will be carried out to determine the exact amounts capitalisable.

The one-off costs of the contractor's mobilisation plans are expected to be £0.119m. These are in addition to the annual revenue cost of the contract of £3.393m and these will need to be funded from the available revenue budget in 25/26.

Any other revenue spend outside of this contract that relates to gas plant and equipment will need to be contained within the remaining revenue budget (£0.109m in 25/26).

Annual contractual uplifts are based on the August CPI (Consumer Price Index) each year.

Leaseholders will be recharged for the cost of any works and services carried out under this contract through their service charges and major works invoices. As leaseholder consultation has been undertaken, the Council will not be restricted to recovering costs of only up to £250 for any works.

As part of the procurement process, a CreditSafe report was requested for Thermoserv Ltd on 28 April 2025. This has indicated a credit rating of 42 and a contract limit of £820,000, both of which are lower than required by the financial risk assessment within the tender process. As the tender process allows for mitigating solutions at the discretion of the Council, a review of Thermoserv's financial statements does not give rise to any significant concern regarding contractor suitability. Further, finance officers have reviewed key accounting ratios within the contractor's financial statements and found these to be satisfactory assuming more robust monitoring and payment arrangements are put in place to avoid any significant risk to the Council.

Once the contract is in place, Finance officers will work closely with the service to ensure that costs are closely monitored and work commissioned to remain within the available budget envelope.

Danny Rochford, Head of Finance (Housing), 30 April 2025
Verified by James Newman, Assistant Director – Finance

Legal Implications

The Council has a duty under the Landlord and Tenant Act 1985 to ensure the provision of heating and hot water for its tenants and to ensure that gas installations are in proper working order.

The procurement undertaken and described in this report is governed by the Public Contracts Regulations 2015 (PCR) as it was commenced before the Procurement Act 2023 came into force. The use of a third-party framework is a permissible means of complying with the regulations. The SEC framework was let in accordance with the requirements of the PCR. The procurement was carried out in accordance with the PCR.

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 means of procuring a contract of this value and the use of the SEC framework was the route approved by the procurement strategy. The mini competition undertaken helped to drive value from the procurement process.

The recommended decision will be a key decision under the Council's Constitution and therefore needs to be included on the key decision list on the Council's website.

John Sharland, Special Projects Lawyer 25 April 2025

Procurement Comments

CSO 19.4. at Section D – High Value Contracts – Over the Services Threshold (page 23-31/120) of the Council's [Contract Standing Orders \(CSOs\)](#) requires for contracts with a value above the Services Threshold, that for Works Contracts above the Works Threshold,

1. Advertising Requirement 1 – Use of an existing Framework, Open Framework, Dynamic Market or Dynamic Purchasing System (DPS) which is compliant with the [relevant legislation].
Competition Requirement 1 – Follow the rules of the Framework/Open Framework/Dynamic Market/DPS and use the eProcurement System for all mini-competitions.

Based on the details provided in this report, CSO 19.4. has been complied with.

The Procurement and Commercial team have reviewed the moderated evaluation scores and assured the weighted scores are correct in line with the methodology published in the procurement document suite for this project.

The Procurement and Commercial team have confirmed all Conflict of Interest and Confidentiality Undertaking Declarations have been completed.

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 [capitalE sourcing](#) eProcurement portal.

The contract must be added to the [capitalE sourcing](#) eProcurement portal, to ensure it is published on the Council's [Contract Register](#) in line with the legislated transparency obligations.

A named contract manager must be allocated to the contract on the Council's [capitalE sourcing](#) eProcurement portal.

Chris Everett, Category Lead – Procurement and Commercial, 24th April 2025

Background Papers Used in Preparing This Report

None.

DETAILED ANALYSIS

Background

1. In March 2025, we undertook a procurement exercise to identify a supplier to deliver gas and ancillaries. Gas is currently the primary fuel for heating and hot water with over 11,000 domestic boilers and 38 communal boiler systems in

housing. There is a statutory annual requirement to undertake gas safety compliance checks and routine maintenance.

2. In addition, there are many other ancillary services provided by the contract including water pumps (enabling water provision in many blocks) and firefighting equipment, etc. that must be checked, maintained, and repaired annually under SFG20 Regulations.
3. A compliant competitive mini competition was undertaken to assess supplier responses in providing maximum benefit in relation to resident, quality, and value for money outcomes.
4. This paper recommends awarding the gas and ancillaries contract to Thermoserv Ltd. who the procurement exercise has identified as the preferred supplier, providing the MEAT, in relation to the approved procurement strategy in appendix A, and we are seeking authorisation from the Cabinet Member to proceed with this approach.
5. We seek to award and mobilise the contract by the summer of 2025.
6. Well-functioning, effective heating and hot water provision is crucial in council owned housing as well as having a seamless monitoring and repair system.
7. Upon award of this contract, the client team (Mechanical and Electrical) will manage the successful delivery of this contract. The client team will implement tested supplier onboarding procedures to ensure the competency of the winning bid, and any identified concerns will be highlighted, and upon consideration a decision will be taken regarding mobilisation. If mobilised, the client team will subsequently apply our standard contract performance monitoring and contract management processes to ensure the stability and success of the service.
8. The supplier will consequently obtain a good orientation in relation to our resident's needs, housing stock, key service personnel, processes, systems and policies.
9. Finally, the contract will have robust terms and conditions and pre-agreed contractual rates which will translate into quality, safety and value for money outcomes can be assured.

Reasons for Decision

10. As a landlord of social housing, we need to ensure that we provide housing services which are safe and high performing so that residents live in homes that meet their needs. Hammersmith and Fulham Council has a legal obligation to ensure its properties are maintained and as a landlord it needs to carry out periodic gas safety checks and repairs.
11. The compliant procurement process has identified the preferred supplier, Thermoserv Ltd., as offering the MEAT.

Contract Specifications Summary

12. The Supplier shall undertake servicing, safety checks, repairs and maintenance to communal and domestic gas systems in the Employer's housing stock of approximately 11,000 tenanted properties that have gas supply, communal areas, and other buildings.
13. The scope of the works to be undertaken in this Contract includes but is not restricted to:
 - Communal Planned preventative maintenance of commercial gas and mechanical installations; alongside SFG20 servicing guidelines.
 - Breakdown service to commercial gas and mechanical installations, including BMS.
 - Repair and maintenance of domestic gas systems.
 - Annual servicing and gas safety check for domestic properties; including the testing and maintenance of Co, Smoke and Heat detection alarms and
 - Gas carcass testing (including all supply pipework on the customer's side of the meter) in domestic properties.
14. The service comprises the following elements:
 - The annual statutory gas safety inspections
 - Comprehensive routine annual servicing
 - Responsive repairs and maintenance (including all emergency work and emergency out of hours work of all fuel types heating and hot water services appliances and associated equipment
 - Diagnosis of faults, repairs, provision of replacement parts, labour, material, and plant, testing and restore to a fully functional condition the heating and hot water installation
 - Provision of boiler and/or appliance details
 - Maintenance and routine annual statutory safety check records, testing and certification of the Employer's heating and hot water installations and appliances
 - The provision of a 24 hour, 365 days a year emergency call out service
 - The inspection, testing, servicing, cleaning, and maintenance of any smoke and carbon monoxide (CO) detectors
 - Attend and provide a locksmith with the Employer's enforcement officer to gain entry after a court warrant is issued following no access and
 - Works to voids/mutual exchange properties following the Employer's voids procedure

Procurement Route Analysis of Options

15. Based on the Procurement Strategy approved, The Council used a mini competition via a compliant framework or Dynamic Purchasing System (DPS), to reprocure for a long-term supplier via a competitive procurement process, at the contract end date, ensuring continuity, high standards in service provision, and value for money whilst ensuring compliance with health and safety

regulations. The compliant, established framework had been assessed as having initial undertaken due diligence and cost-quality assessment of the suppliers, saving time for the Council and provided assurance that suppliers meet an initial standard ahead of the Council's own assessment conducted as part of its mini competition.

Market Analysis and Engagement

16. We identified a need to source a supplier to replace the incumbent supplier and ensure an improved gas management service is implemented. To procure a new contract within set timelines and the quality and value for money requirements, in line with Appendix 1 (Procurement Strategy) we undertook a mini competition from the SEC Framework, Heating and Water Hygiene Framework, Lot 1 'Domestic and Commercial Heating' to source a five-year contract with the option to extend for further 24 months. This procurement exercise has now concluded, and Thermoserv has been identified as the preferred supplier.

Conflicts of Interest

17. All officers and decision makers, including elected members (where appropriate), have been required to complete a Conflict-of-Interest Declaration form to record any actual, potential, and/or perceived conflicts, along with appropriate mitigations (as appropriate), on the Conflicts Assessment.
18. Approval of, by way of signing, this Procurement Strategy by the elected member constitutes their declaration that they do not have any actual, potential, and/or perceived conflicts, relevant to this procurement, except where a specific conflict of Interest Declaration form has been completed and provided, advising differently.
19. The Conflicts Assessment will be kept under review and updated throughout the life of the project (from project inception to contract termination).

Local Economy and Social/Added Value

20. This procurement has included social value and where possible local employment opportunities may be offered (full-time jobs and apprenticeships) as part of the supplier's offerings.

People Based Considerations

21. **Employee transfer:** Employees working on the existing contract will transfer to the new contractor with their current terms and conditions. This includes their pay, benefits, and length of service.
22. **Consultation:** Both the outgoing and incoming contractors must consult with the affected employees and their representatives about the transfer. This helps manage expectations and address any concerns.
23. **Information sharing:** The outgoing contractor must provide detailed Information about the transferring employees, including their roles, salaries, and

- employment conditions. This helps the new contractor plan effectively.
24. **Managing changes:** Any proposed changes to the employees' terms and conditions must be handled carefully to avoid claims of unfair dismissal. This includes ensuring that any changes are legally compliant and communicated clearly.
 25. **Operational Continuity:** Ensuring a smooth transition is crucial for maintaining service delivery. This involves planning for potential disruptions and ensuring that all necessary resources are in place.

Risk Assessment and Proposed Mitigations

26. The Client team will closely and proactively monitor the supplier to ensure the contract Key Performance Indicators (KPIs) are delivered in line with the agreement.
27. The contract will contain default/termination clauses in the event that the Supplier's performance is consistently inadequate and cannot be remedied.
28. Appropriate clauses will be inserted in the contract that allow the client to seek damages due to any losses incurred due to non-performance.

Contract Duration Considerations

29. The contract will run for 5 years, with the option of two further twelve-month extensions.

Timetable

30. The timetable below provides a picture of the competition process through to contract commencing but may require editing due to moving deadlines.

Action	Date
12. CAB (Award)	Wednesday, 30 April 2025
13. SLT/Cabinet Member (Award)	Wednesday, 20 May 2025
14. Key Decision Entry (Award)	Thursday, 22 May 2025
18. Contract Engrossment	Thursday, 19 June 2025
19. Contract Award Notice	Friday, 20 June 2025
20. Contract Mobilisation and Implementation	Wednesday, 25 June 2025
21. Contract Commencement Date	Thursday, 1 August 2025

Contract Management

31. The contract will be monitored and managed by the Employer's Gas Service team. The contract will include a requirement for regular contract reviews. These reviews will include progress against the programme, performance

against the KPIs, contract terms and conditions, discussions around any emerging risks and resolutions of any issues.

32. The contract will also set out general working practices expected of the consultant. Adherence to these practices will also be managed by the client team.
33. Social value will be monitored and managed by the client team with the support of the Council's Social Value Officer.

Equality and Inclusion Implications

34. 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.' The Equality Impact Assessment is included in the List of Appendices

Verified by Strategic Lead for EDI, Yvonne Okiyo, 30.04.25

Risk Management Implications

35. In addition to the risks above, there is a financial risk that based on changes in the gas supply market and that of as yet unspecified changes in the quote that costs for the initiative will rise.
This risk should be reduced by monitoring the gas market and through stringent efforts to determine the exact costs of the engagement.

Jules Binney, Risk and Assurance Manager, 29th April 2025

Climate and Ecological Emergency Implications

36. As part of the procurement process, we have asked the suppliers to provide a method statement detailing their approach towards climate change, including energy savings, reducing carbon and waste. Their commitment and delivery of their method statement will be reviewed at regular contract meetings to manage their performance and continuous improvement in relation to climate change.

Hinesh Mehta, Assistant Director for Climate and Transport, 28/04/2025

ICT (required for any changes to IT systems)

37. By going out to Procurement it provides us with the ability to review, change and enhance the way our services are delivered. We will be looking at integrating gas repairs and servicing into NEC and DRS as this would enhance visibility and enable self-service. If implemented during mobilisation, this approach would minimize set-up costs and leverage our proven in-house capabilities..
38. IT Implications: Other than the above-mentioned implication, no other direct IT implications are considered to arise from this report for as it seeks approval to award a contract to Thermoserv. Should this not be the case, for example, by

requiring new systems to be procured or existing systems to be modified, Digital Services should be consulted.

39. IM Implications: A Data Privacy Impact Assessment (DPIA) will need to be completed to ensure that all the potential data protection risks around this new contract are properly assessed with mitigating actions agreed and implemented.
40. Thermoserv will be expected to have a Data Protection policy in place and all staff will be expected to have received Data Protection training. Contracts will need to include H&F's data protection and processing schedule, which is GDPR compliant.

Implications completed by Vincen Arivannoor, Strategic Relationship Manager, 29th April 2025

Local Economy and Social Value

41. It is a requirement that all contracts let by the council with a value above £100,000 factor in a 20% social value weighting in the evaluation criteria. On award of the contract, we will ensure that the social value commitment offered at tender stage is stated as a contractual obligation.

Harry Buck, Social Value Officer (Procurement), 29th April 2025

Consultation

42. The service provision is governed by legislation and Health and Safety regulations and therefore the employer needs to adhere to a strict framework of rules and regulations. However, briefings and updates will take place with affected residents.

Leasehold Consultation

43. This contract is subject to two stages of statutory consultation with leaseholders. The first stage of consultation ran from 17 December 2024 to 21 January 2025 and was sent to 3,691 households that may be required to contribute towards the costs incurred under the contract.

Ciaran Maguire, Head of Leasehold Services, 28 April 2025

Property Implications

44. The services and works involved will be managed in a manner which avoids disruption to residents.

LIST OF APPENDICES

Appendix A – Procurement Strategy Report
Exempt Appendix B – Moderation Matrix
Appendix C – EIA