



Mayor and Cabinet

Approval to procure a Housing Stock Condition Survey and Housing Disrepair Survey (HDR) Programme via Direct Award.

Date: 24 January 2024

Key decision: Yes

Class: Part 1

Ward(s) affected: All wards

Contributors: Yogesh Vadgama - Interim Head of Stock Investment and Asset Management

Chris Hall – Interim Procurement Manager (Housing)

Outline and recommendations

Mayor and Cabinet are recommended to:

Grant approval to procure a programme of stock condition surveys targeting up to 80% of the Council's housing stock, incorporating energy performance assessments and up to 500 Housing Disrepair surveys to address the current backlog, for the purposes of planning our asset strategy and strategic investment plans, with a total contract value of £2,925,000.

Approve the use of the Strategic Asset Management agreement - Lot 6 of the Procurement Hub framework.

Approve the direct award of contract to Savills (UK) Limited in accordance with the terms of Lot 6 (Strategic Asset Management) of the Procurement Hub framework.

Timeline of engagement and decision-making

There have been no previous reports and decisions that relate to this request for approval.

In December 2023, the Council self-referred itself to the Regulator of Social Housing for a potential breach of the Regulator's Home Standard. This is related to the lack of an up-to-date dataset on the condition of Council properties, with minimal data updates having been made on component completions for two years. As a result, the current data is unreliable for assessing the Council's position on meeting the Decent Homes Standard and investment planning.

The procurement of a programme of stock condition surveys as proposed in this report seeks to address issues of compliance and provide improved visibility of the Council's housing stock, to make informed procurement and investment decisions that will align to a 30-year investment strategy for the Council's assets with a five-year capital investment programme being planned in order to address more immediate priorities.

Under the Defective Premises Act 1972, a duty is owed to the tenant, anyone else living at or visiting the property. It requires landlords to ensure that nothing they are responsible for keeping in a state of repair poses a threat due to being allowed to fall into disrepair. We have 540 Housing Disrepair Claims currently in our schedule from customers who claim that there is a housing condition that we have not responded to. This programme seeks to provide additional surveying resource to support our existing team and enable the Disrepair Team to assess the claims and engage contractors to carry out the works and bring the claims to a satisfactory resolution.

Internal stakeholders from Corporate Procurement, Stock Investment, Disrepair and Repairs & Maintenance have been engaged in the process and development of the scope and specification for this programme.

1. Summary

- 1.1 The Council's duty as a housing landlord is to meet its statutory obligations and to provide good quality homes and services to its existing tenants.
- 1.2 The five-year capital programme previously delivered by Lewisham Homes, prior to their transition back to the Council on 1 October 2023, was adapted in order to focus on building and fire safety priorities, with approximately one third of the available funds being allocated to these works. This has left a reduced amount for Decent Homes works and the current data and budget forecast

predicts that the number of homes failing the standard will potentially increase from 17% to 33% by 2027. We have re-profiled the capital programme for stock investment for 2024/25 to reduce non-decency as a priority.

- 1.3 The Council has 13,947 tenanted homes and 5,300 leasehold properties. Customers' homes are relatively old with most in medium/high rise blocks, and the majority being built between 1961 and 1980.
- 1.4 The age of homes is compounded by the building types, design, and construction, and represents a significant repair and maintenance obligation. No cyclical redecoration or preventative planned maintenance programmes have taken place for 8 years and work in this area has been largely reactive.
- 1.5 The last stock condition survey was undertaken in 2019/20. This demonstrated that a significant number of homes are not in a good condition, with approximately 20% failing to meet the Government's 2012 Decent Homes Standard.
- 1.6 Updating the data held on the condition of the Council's stock is crucial to identifying investment priorities of work, the energy performance ratings of homes, and creating a five-year capital investment programme that is based on accurate data. At present the data is out of date and not accurate enough for the purposes of investment planning.
- 1.7 Data from the Stock Condition Programme will be captured by the provider and held in a data repository from which we will draw down reports to inform investment planning. We plan to transfer the data to our internal system once that functionality is in place.
- 1.8 The 5-year 2022/23 to 2027/28 Capital Programme (Housing Revenue Account) budget is £321m so it's crucial that the Council can rely on a comprehensive and robust set of stock condition data to ensure investment is properly informed and prioritised.
- 1.9 In December 2023 the Council self-referred to the Regulator of Social Housing for a potential breach of the Regulator's Home Standard. One of our proposals to remedy the breach is to carry out a stock condition survey programme, targetting 80% of the stock in 2024/25.
- 1.11 There are currently 540 Housing Disrepair (HDR) claims, which are increasing at an average of 35 per month. These HDR claims pose a significant financial risk to the Housing Revenue Account (HRA) and will also raise concerns with the Regulator and Housing Ombudsman if these are not addressed immediately.

- 1.12 In the financial year 2023/24, a total of £1.2m has been spent on compensation and legal fees in the year to date. It is essential that HDR surveying resource is supplemented to enable us to assess where repairs and major works are required and to deliver those within timescale.

2. Recommendations

It is recommended that Mayor and Cabinet :

- 2.1 Grant approval to procure a programme of stock condition surveys targeting up to 80% of the Council's housing stock, incorporating energy performance assessments and up to 500 Housing Disrepair surveys to address the current backlog, and for the purposes of planning our asset strategy and strategic investment plans, with a total contract value of £2,925,000.
- 2.2 Approve the use of the Strategic Asset Management agreement - Lot 6 of the Procurement Hub framework.
- 2.3 Approve the direct award of contract to Savills (UK) Limited in accordance with the terms of Lot 6 (Strategic Asset Management) of the Procurement Hub framework.

3. Policy Context

- 3.1 This report aligns with Lewisham's Corporate Priorities, as set out in the Council's [Corporate Strategy \(2022-2026\)](#):

- Cleaner and Greener
- A Strong Local Economy
- Quality Housing
- Children and Young People
- Safer Communities
- Open Lewisham
- Health and Wellbeing

- 3.2 In particular, this report is closely aligned to the priority Quality Housing, because it supports the Council's aim of working to provide residents with safe, comfortable accommodation that they can be proud of and happy living in, and also to improve the conditions in the borough's housing stock, including energy efficiency measures as part of our ambition to be carbon-neutral by 2030.

4. Background

- 4.1 As the landlord, the Council has a statutory and legislative duty to maintain its

housing stock to a good state of repair.

- 4.2 The Council is responsible for 13,947 tenanted homes along with 5,300 leasehold properties. Customers' homes are relatively old with most in medium/high rise blocks, and the majority being built between 1961 and 1980.
- 4.3 The age of these homes is compounded by the building types, design, and construction, representing a significant repair and maintenance obligation. No cyclical redecoration or preventative planned maintenance programmes have taken place for 8 years.
- 4.4 Lewisham Homes previously undertook a stock condition survey in 2019/20 with approximately 80% of internal surveys and 100% of external surveys being completed. Data cloning was used for dwellings where surveyors were unable to gain access. Since the surveys were carried out, the stock condition database has become out of date with completion information from subsequent investment programmes not being accurately captured and reflected.
- 4.5 In line with best practice, a new survey is needed, given it is now four years since the previous survey was undertaken without any updates since. During this period a number of additional data requirements have emerged in respect of building safety, damp and mould and energy efficiency which the new survey will address.
- 4.6 The new survey will seek to provide a comprehensive and accurate stock condition dataset; enabling Lewisham Council to effectively maintain and improve the housing stock; inform decisions about procurement and investment priorities, as well as ensuring that the Council meets all of its statutory and regulatory landlord obligations. It will also incorporate the following:
 - Planning and prioritising capital investment programmes.
 - Active Asset Management - incorporating the assessment of stock viability and whether Council homes meet the Decent Homes Standard.
 - Calculating the energy performance of dwellings.
 - Identify hazards under the Housing Health and Safety Rating System (HHSRS). (The HHSRS is a risk-based evaluation tool to help local authorities identify and protect against potential risks and hazards to residents' health and safety from any repairs and deficiencies identified in dwellings and helps identify whether buildings and their components are compliant with relevant legislation and best practice).
- 4.7 At the end of the survey programme, together with the full dataset and photographs, the service provider will provide a report setting out the key information from the surveys and an updated 30-year outline asset investment

plan which will enable the Council to effectively plan long term investment in the housing stock.

- 4.8 This programme is a significant investment to improve our understanding and compliance against the requirements of the Regulator but also to inform our future investment plans. Therefore, dedicated Contract Management capacity will be assigned with a Stock Investment Manager having oversight and management of the programme, monitoring against key milestones and performance measures that will be contained in the contract.
- 4.9 The Investment Plan will provide a prioritised 5-year investment programme incorporating results from the surveys integrated with the costs and priorities identified in our current Response Repair, Disrepair and Damp and Mould workloads, along with our priorities on Energy efficiency and carbon reduction.
- 4.10 The chosen route to market will be through the Procurement Hub framework. Procurement Hub is a PCR2015 compliant framework.
- 4.11 The procurement process will be carried out in accordance with the Procurement Hub framework Direct Award Procedures.
- 4.12 Lot 6 - Strategic Asset Management Services Framework is for multi-disciplinary services providing for the following specialisms:
- Stock Condition Surveys
 - Fire Risk Assessments
 - Energy Performance Certificates
 - Asset Strategy
 - Energy Efficiency
 - Asbestos Surveys
 - Electrical Safety
 - Quality Assurance Audits and Support
 - Landlord Compliance/Resident H&S review
 - Regulator of Social Housing (RSH) Consumer Standards Review
 - Building Safety Case/ Case Report Compilation
 - DLO/ Internal Services Provider Review
 - Bespoke Property/ Asset-based Services including Housing Disrepair.
- 4.13 Following a full review of the scope of this agreement and lot descriptions the Council is confident that Lot 6 within the Framework meets our needs.

5. Reasons for Recommendation

- 5.1 The lack of understanding of the quality and decency of our housing stock triggered a self referral to the Regulator in December 2023.

- 5.2 The Regulator will require immediate action to be taken to resolve the issues related to stock condition and HDR claims as they stand.
- 5.3 The proposed targetted 80% Stock Condition Survey is necessary to provide a baseline for the future allocation of investment and resources across the Council's HRA housing stock.
- 5.4 The current list of outstanding HDR claims pose a significant risk to the HRA and following the self referral to the Regulator, these need to be addressed immediately.
- 5.5 Stock Condition data on the Council HRA stock is not up to date, the majority of EPC certificates are more than two years old, The energy performance assessments will address our deficit of energy efficiency and thermal comfort data supporting our environmental and carbon reduction ambitions.
- 5.6 Data captured from the survey will identify priority health and safety hazards and inform future HRA capital and planned maintenance programmes, leading to a reduction in future responsive maintenance expenditure and visits.
- 5.7 The Procurement Hub framework allow members to access the framework through either a direct award option via the ranking system or mini-competition. Our preferred route has been to carry out a direct award utilising Lot 6 of the framework.
- 5.8 Direct Awards are permitted in Lot 6 under specific circumstances. The only applicable one available to the Council is that the Council is satisfied on reasonable grounds that the Framework Agreement sets out all the terms governing the provision of the services concerned without requiring the Framework Agreement competition to be re-opened and that the provisions of the Public Contracts Regulations 2015 have been complied with. That means that the contract must be entered into with the supplier unamended and in accordance with the charging schedule set out in the framework. There is no scope for further negotiation. The final stage for the call-off procedure would be to sign the call-off agreement.
- 5.9 Officers are satisfied that the Procurement Hub Framework Lot 6 provides Value for Money for the Council. The framework contains a Schedule of Rates (SOR) that was submitted and evaluated as part of Procurement Hub's pricing evaluation criteria. Given the time constraints separate benchmarking has not been carried out.
- 5.10 Savills (UK) Limited are the market leader in providing strategic asset

management services and indeed were the only compliant bidder for such services included in Lot 6, being suitably qualified and experienced.

- 5.11 For the Council pace is of the essence. Using the framework to make a direct award approach will allow the Council to appoint the supplier by the end of January 2024 and commence the surveys of residents' homes by Spring 2024. Savills (UK) Limited have indicated that subject to confirmation they would be able to mobilise by the end of February 2024.
- 5.12 Officers are therefore confident that the cost, quality and time elements above and the proposed direct award to Savills (UK) Limited offers the Council the most economically advantageous solution.
- 5.13 The direct award to Savills (UK) Limited, a specialist and experienced surveying company, with the relevant capacity and competency, that has been pre-qualified on the Procurement Hub Strategic Asset Management Services Framework provides the most efficient and compliant route to market .
- 5.14 There is currently a high demand for the services of stock condition and HDR professionals. This generates a further time pressure in gaining the approvals required for a direct award process to be approved so that we can secure the surveying resource and mobilise the survey programmes.

6. Alternatives Options Considered

6.1 Option 1 - Do nothing

This is not considered to be a viable option. The Council's Housing investment programme would not be based on up-to date stock condition information and data, resulting in a potentially insufficient and inefficient allocation of resources, projects and funding which would be to the detriment of the Council's drive to be efficient and meet resident needs.

Up to date information on health and safety hazards would not be systematically and comprehensively collected resulting in residents potentially being putting at risk.

The Council's Climate Change commitments would be compromised due to the lack of up-to-date information on the age and condition profile of housing stock elements.

6.2 Option 2 - Undertake a percentage sample survey of each property type

This is not considered to be a viable option. Stock Condition data on the

Council's HRA stock is not up to date, the majority of Energy Performance Certificates (EPC) are more than two years old, and a minimal amount of data on the Housing Health and Safety Ratings System (HHSRS) is held or up to date.

Carrying out a sample based survey would not provide us with the level of data required either from a health and safety nor asset management perspective.

The Council's housing capital investment programmes would not be based on up-to-date stock condition information and data as only a percentage of the stock would be surveyed.

Additionally, the Council's Climate Change commitments would be compromised due to the lack of up-to-date energy performance and age and condition data.

- 6.3 **Option 3** - Undertake a stock condition survey, targeting up to 80% of Council owned properties, incorporating, energy performance assessments, and housing disrepair surveys (preferred option).

To enable the Council to support its investment decisions every year it is necessary that up-to-date stock condition information on its assets are available. Not having this information would result in failure to address repairs and maintenance that would subsequently lead the need for future property element replacements at a much higher whole asset life cost.

- 6.4 A comprehensive Housing Stock Condition Survey is needed now that the housing stock has returned from Lewisham Homes back into the Council, and is needed to rectify insufficient stock data to enable accurate planning and forecasting.
- 6.5 Option 3 is the preferred option combined with the procurement route set out below, which sets out an analysis of the procurement options and the reasons for the preferred option summarised below.
- 6.6 The recommended procurement route to market is to use a compliant framework, Procurement Hub's Strategic Asset Management Services framework, Lot 6 (Multi-Discipline), and to conduct a direct award to Savills (UK) Limited. This will provide the quickest means to appoint a qualified and suitably experienced supplier consistent with the achievement of value-for-money (vfm).
- 6.7 The framework contains a Schedule of Rates (SOR) that was submitted and evaluated as part of the pricing criteria, alongside the quality criteria. The total contract value of £2,925,000 has been drawn up from the framework SOR and

is costed as per the table below.

Item	Up to Quantity	Unit Cost	Total
Stock Condition Surveys (5,000 +)	14,000	£ 150	£ 2,100,000
Energy Performance Certificates	14,000	£ 50	£ 700,000
Decency Assessment and Housing Disrepair	500	£ 150	£ 75,000
Asset Management and Investment Plans	1	£ 50,000	£ 50,000
			£ 2,925,000

7. Procurement Options Considered – Route to Market

- 7.1 Corporate Procurement have been consulted in the procurement options and support the direct award process through the Procurement Hub framework "Strategic Asset Management Services" Lot 6 (Multi-discipline).
- 7.2 The Procurement Hub Strategic Asset Management Services Framework Lot 6 (Multi-discipline) is the recommended route to market as Lot 6 of the framework includes all the services required by the Council as well as options for comprehensive asset management services. The framework allows for a direct award option. Savills (UK) Limited is the only compliant supplier within Lot 6.
- 7.3 The option to bring this contract in-house was considered however, it is not a viable option. To bring in-house would increase the value of the exercise due to increased staff and infrastructure costs and recruitment of sufficiently qualified and experienced surveyors would lengthen the overall project delivery time. This option is not recommended.
- 7.4 In light of time constraints an open/restricted procurement route is not recommended, considering the backlog volume of disrepairs and the urgency of the work.
- 7.5 Procurement Officers have reviewed frameworks available in the market and are satisfied that only the Procurement Hub framework is most suitable given the wide range of scope available in Lot 6.
- 7.6 The volume and cost of the HDR claims, means that a delay in the process will lead to further legal and compensation costs as cases cannot be closed out.

8. Financial implications

- 8.1 This report seeks approval for the procurement and subsequent award of a contract to undertake a stock condition survey, targeting up to 80% of the Council's housing stock.

- 8.2 A full stock condition survey is considered necessary for short to medium term financial planning purposes.
- 8.3 The result of the survey will be used to inform future business plans and to formulate a more accurate Capital Programme and budget.
- 8.4 The Stock Condition Survey will provide a sound baseline position for future years HRA budget and a high level of confidence in the future allocation of investment across the council's stock.
- 8.5 The cost of this contract has a maximum value of £2,925,000 all projected expenditure will be contained within the 2024/25 HRA budget.

9. Legal implications

- 9.1 The Council has sufficient powers to award the contract as proposed in this report and the award of contract will assist the Council to meet its statutory landlord obligations.
- 9.2 The award of contract must comply with the Council's Contract Procedure Rules contained in its constitution and, given the potential value of the contract, the Public Contracts Regulations 2015. Both permit the use of frameworks provided the terms of the framework agreement are complied with. The proposed framework permits a direct award procedure in limited circumstances and provided the contract is entered to on the framework terms and in accordance with the charging schedule set out in the framework a direct award will be permitted in this case.
- 9.3 Public law principles apply to the decisions made by the Council in relation to the award of the contract recommended in this report, including the Council's duty to take account of its fiduciary duty to act prudently with public monies entrusted to it. This duty applies notwithstanding any urgency. Mayor and Cabinet must therefore be satisfied that entry into the contract on the terms proposed presents value for money. In this case, the chosen provider is the only provider on the framework Lot 6 and officers have confirmed that no separate benchmarking has been done to confirm the competitiveness of the framework pricing. However, officers have set out in this report the advantages of entering into the contract at speed and confirm that they are satisfied that the chosen provider has the necessary skills, experience and expertise to deliver the contract, which will lead to future savings for the Council.
- 9.4 Any contract entered into pursuant to recommendations contained in this report must be approved in advance of commencement by Legal Services on behalf of the Director of Law and Corporate Governance.

10. Risk Implications

10.1 Key risks are contained in the table below.

Risk	Mitigation
LBL will fail to meet the Social Housing Regulators New Consumer Standard on Safety and Quality	Have clear and transparent investment programmes that are based upon accurate data.
We do not understand the condition of customers homes leading to inefficient planning and delivery of works and unsatisfactory services for residents.	Improve our knowledge, information and management by undertaking a full condition survey of our customer's homes.
Investment programmes not prioritised to meet LBL Strategy and customer priorities.	Data led decision making informing strategy, procurement and investment priorities.
Although our target is 80%, access to properties continues to be a significant challenge.	The appointed delivery partner will follow all processes, engage Housing Management teams to ensure maximum access is gained. A decision will be made on cost versus value for any properties that not been accessed through the normal process.
We do not have sufficient resource to carry out HDR Surveys to instruct Contractors to rectify, therefore leading to increased legal costs and potential sanctions from the Regulator or Housing Ombudsman	Embed HDR surveys into the SCS programme to improve visibility of works and costs, reducing legal and compensation costs, whilst improving customer experience.

11. Equalities implications

11.1 The Council's Single Equality Framework for 2020-24 provides an overarching framework and focus for the Council's work on equalities and helps ensure compliance with the Equality Act 2010.

11.2 Vulnerable residents e.g. older people, disabled people and children are likely to be more impacted on by the physical environment of their homes. Greater accuracy of the improvements required to their homes will provide safer homes and sustainable homes.

- 11.3 A significant proportion of our residents have a first language other than English or do not have a household member who speaks/reads English. Therefore our communications need to take account of this.
- 11.4 The maximum time in a tenant's property will be 60 minutes and we will ensure that considerations are made for those residents that require additional support or provision when the surveyors are present. This may include:
Appointment scheduling when their support member or group are available.
Working with Housing Management to ensure support processes are followed for all vulnerable residents.
Communal briefings and resident liaison for the purpose of the surveys and works being conducted to ensure understanding.
- 11.5 Ensuring a process is in place for immediate feedback from surveyors to Housing Management and Repairs Service should any HHSRS or other risks be identified as affecting vulnerable residents.

12. Climate change and environmental implications

- 12.1 The UK Government has set a target for social housing providers to attain the minimum rating of Energy Performance Certificate (EPC) C for rented properties by 2030. To be in a more robust position towards achieving this target it is imperative that the Council's baseline position is as accurate as possible and therefore the stock condition survey includes the required information necessary to produce EPC certificates to validate the current baseline position.
- 12.2 The survey will support the Council's Climate Change commitments by ensuring the latest information on the age and condition profile of housing stock elements are fully up to date.
- 12.3 The stock condition survey will further develop evidence-based practice and targeted energy efficiency work in those properties with low Energy Performance Certificate (EPC) ratings.

13. Crime and disorder implications

- 13.1 There are no crime or disorder implications arising from this report.

14. Health and wellbeing implications

- 14.1 The survey outputs will assist the Council in ensuring that the housing stock meets the current statutory minimum standard for housing, is in a reasonable

state of repair, has modern facilities and services and provides a reasonable degree of thermal comfort.

- 14.2 Data captured from the survey will identify priority housing health and safety hazards and inform future HRA capital and planned maintenance preventative programmes.
- 14.3 The HDR survey programme will provide improved visibility of works to be instructed, ensuring that we address the tenants needs to decency in their home.

15. Social Value implications

- 15.1 Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the wellbeing of the local area can be secured.
- 15.2 The London Borough of Lewisham Social Value Policy for Procurement sets out the legal and strategic and policy context for social value and the approach the London Borough of Lewisham (LBL) will adopt to deliver social value through commissioning and procurement activities.
- 15.3 Social value refers to extra economic, social or environmental benefits that can be attached to a contract. It is about ensuring that for every pound the London Borough of Lewisham spends, as much value as possible is achieved for local people.
- 15.4 The Council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors and subcontractors engaged by the Council to provide works or services within Lewisham pay their staff at a minimum rate equivalent to the LLW rate. The successful provider will be expected to meet LLW requirements and contract conditions requiring the payment of LLW will be included in the service specification and contract documents.
- 15.5 The successful provider will be expected to submit a Social Value Action Plan to demonstrate their commitment to Social Value through the delivery of the programme.

16. Background papers

- 16.1 None

17. Glossary

17.1 None

18. Report author(s) and contact

- 18.1 Yogesh Vadgama
Interim Head of Stock Investment and Asset Management
Yogesh.Vadgama@Lewisham.gov.uk
- 18.2 Comments for and on behalf of the Executive Director for Corporate Resources
(Financial Implications)
Simon Williams - Head of Finance
simon.williams@lewisham.gov.uk
- 18.3 Comments for and on behalf of the Director of Law and Corporate Governance
(Legal Implications)
Melanie Dawson – Principal Lawyer
melanie.dawson@lewisham.gov.uk

19. Appendices

19.1 None