

Item No.	Classification: Open	Date: 17 June 2015	Meeting Name: Strategic Director of Finance and Corporate Services
Report title:		Gateway 3 Measured Term Contract For The Responsive Repairs And Planned Maintenance Of Communal Lighting, Landlord's Supplies And Lightning Protection	
Ward(s) or groups affected:		All	
From:		Head of Maintenance and Compliance	

RECOMMENDATION

1. That strategic director of finance and corporate services approve the contract extension of the Communal Lighting and Lightning Protection contract to Spokemead Maintenance Ltd (Spokemead) for a period of 2 years from 1 October 2016 to 30 September 2018 at an estimated cost of £1.79m.

BACKGROUND INFORMATION

2. A Gateway 2 report was approved on 26 June 2013 to award the Communal Lighting and Lightning Protection contract to Spokemead for a period of 3 years from 1 October 2013 to 30 September 2016 with the option to extend for 2 further periods of 12 months each.
3. The scope of the contract encompasses the following work streams;
 - Responsive repairs to communal lighting and landlords supplies
 - Annual tests to lightning protection systems
 - Responsive repairs to lightning protection systems
 - Stock condition surveys of all communal lighting covered in this contract
 - Emergency lighting tests; and
 - Builders work in connection with services.
4. The contract was for an initial period of three years from 1 October 2013. The annual cost of the contract was estimated to be £896k per annum for an initial period of three years making a total estimated contract value of £2.69m.
5. The budgets and actual expenditure for the periods since the contract began are as follows;

Periods since contract start	Budget	Actual
1/10/13 ~ 31/3/14	£428,168	£511,477
1/4/14 ~ 31/3/15	£853,103	£870,501
Total	£1,286,217	£ 1,381,978

6. The contract allows for two separate one year extensions after the initial period has elapsed.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

7. The nature of the proposed contract extension is to exercise the option in the contract with Spokemead to be extended for a period of 2 years. The revised completion date will therefore be 30 September 2018.
8. The value of the initial three year contract is £2.69m plus this proposed extension of £1.79m makes a total estimated value of the contract of £4.48m.
9. The value of the extension to the contract as a percentage is estimated to be 66 per cent.

Reasons for Variation

10. The services delivered through this contract enable the council to meet its obligations as a landlord and comply with regulatory requirements for these installations described in paragraph 3.
11. Spokemead's performance has been good from the beginning of the contract, and the company has maintained a very good level of service delivery. The contract has delivered unit cost reductions and a reduction in the level of risk arising from non-compliance.
12. The current contract was procured in 2012/13 and provides competitive prices for the services delivered. The schedules of rate prices remain very competitive in the current construction market.

Future Proposals for this Service

13. The maintenance and compliance team have produced an outline procurement plan as a new contract will need to be procured for commencement on 1 October 2018.
14. An outline procurement plan is provided below based on the assumption that a three year contract, with a further two year extension facility, is procured:

Activity	Completed by/Complete by
Approval of Gateway 1: Procurement Strategy Report	15 May 17
Issue Notice of Intention	12 Sep 17
Invitation to tender	23 Jan 18
Forward Plan for Gateway 2 decision	01 March 18
Closing date for return of tenders	05 March 18
Completion of evaluation of tenders	19 March 18

Activity	Completed by/Complete by
Issue Notice of Proposal	26 March 18
DCRB Review: Gateway 2	02 May 18
CCRB Review: Gateway 2	17 May 18
Notification of forthcoming decision – despatch of Cabinet agenda papers	29 May 18
Approval of Gateway 2: Contract Award Report	19 June 18
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	26 June 18
Alcatel Standstill Period (end date)	02 July 18
Contract award	03 July 18
Publication of award notice in Official Journal of European (OJEU)	06 July 18
Add to Contract Register	06 July 18
TUPE Consultation period	28 Sept 18
Contract start	01 Oct 18
Contract completion date	30 Sept 21
Contract completion date – if extension(s) exercised	30 Sept 23

Alternative Options Considered

15. The following alternative options were considered by the council's maintenance and compliance team:

- Procure a new contract - Spokemead is performing well under the contract and there is every indication that Spokemead will continue to do so. There is no indication from the market that there would any material improvement to the services delivered or a reduction in the cost and therefore it is considered appropriate to continue with the contract for a 2 year period.
- Bring the service back in-house – unfortunately during the initial tendering process, the in-house department could not deliver a value for money service in a highly competitive market and this remains the same at present.

Identified risks for the extension

16. The table below identifies the risks associated with this extension, the likelihood of occurrence and the control in place to mitigate the risks:

R/N	Risk Identification	Likelihood	Risk Control
R1	Spokemead's performance declines	Low	Active performance management is in place to control and mitigate against this eventuality

R2	Spokemead ceases trading, go into administration or liquidation	Low	Maintenance and compliance team will utilise the approved contractor list on an interim basis while a procurement plan is put in place.
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17. Spokemead has complied with the contract documents and has provided a performance bond.
18. The contract documents contain a break clause to terminate the contract with no consideration of any loss or expense.
19. There are no current adverse financial indicators regarding Spokemead.

Policy implications

20. The Communal Lighting and Lightning Protection contract provides an essential service to the community. It supports the council's statutory obligations as a landlord to comply with the following legislation and regulation:
 - The Regulatory Reform (Fire Safety) Order 2005
 - Building Regulations 2010
 - The Housing Act 2004

Contract management and monitoring

21. Programmed monitoring meetings are held each month with Spokemead and council officers to discuss and evaluate performance against, amongst other things, the key performance indicators (KPI) within the contract.
22. The council's maintenance and compliance repairs team monitor performance monthly via a combination of performance data and work in progress/post inspections. The team quality check the works to ensure the council is receiving best value. Any issues are raised quickly through daily interaction between Spokemead, and the council's technical officers.
23. The KPIs are measured from the council's IT system iWorld. The KPIs are shown below for the period 2014/15 to date.

No	Key Performance Target	March 2015	Cumulative To date	Min. Target
1	Percentage of Emergency (Priority Code 0 and 1) Orders commenced during that month and completed within the stipulated time periods in each Order	97%	97%	95%
2	Percentage of Priority Code 2, 3 and 4 Orders completed within the stipulated time periods.	96%	94%	95%
3	Percentage of Orders for which an appointment can be made and is kept.	98%	97%	95%
4	Percentage of Orders for which a Recall Notice (Default Notice) has not been issued within the calendar month.	100%	100%	98%
5	Completion of response repairs at the	91%	93%	90%

	time of the first visit.			
6	Percentage of Planned Inspection and Testing Program On Time.	100%	99%	98%

Community Impact Statement

24. This contract contributes directly to creating and maintaining a safe environment across the council's housing properties, and complying with legislation. All residents are affected by this contract.
25. The maintenance of the emergency lighting installations assists with evacuation of buildings in the case of an emergency.

Economic considerations

26. The full cost to the council and the life span of the contract is set out in paragraph 8 above.
27. The expenditure in excess of the budget is accounted for by the need to undertake works to estate lighting columns.
28. Spokemead is an SME based in the borough and 55 per cent of its employees are local residents.
29. Spokemead has employed three local apprentices who receive in excess of London Living Wage. This has been confirmed through a review of administrative staff, apprentices and engineers.

Social considerations

30. Spokemead employees are paid in accordance with the London Living Wage and have equalities policies that conform to the council's standards. The application of these is reviewed for compliance as part of the contracts annual review.
31. Spokemead have employed 3 apprentices from within the borough.

Environmental considerations

32. All electrical equipment being replaced is disposed of in accordance with the latest Waste Electrical and Electronic Equipment Regulations (WEEE). All new equipment is low energy rated to meet current regulations.
33. All recyclable packaging is set aside and disposed of via a recycling centre.
34. No hazardous materials are used.
35. Spokemead have been issued with the council's current asbestos register to avoid any risk of exposure to Spokemead or the council's residents and collaborate with the council's maintenance and compliance asbestos coordinator as required.

Financial Implications (FIN0849 – JP)

36. The current HRA budget for the Communal Lighting and Lightning Protection contract is £868,098 per annum and is not expected to be subject to savings in the near future.
37. While the estimated cost of £896,000 is based on an indicative basket of goods, paragraph 5 highlights the overspend in the last two financial years. Therefore, the difference between the estimated costs and the current budget (£27,902) can be transferred from the Fire Alarms and Door Entry systems (within Maintenance and Compliance) to provide a more accurate budget. Any overspend over the revised budget will need to be contained within Maintenance and Compliance.

Investment Implications (Housing Contracts only)

38. There are no investment implications.

Legal Implications

39. Please see the comments from the director of legal services.

Consultation

40. Consultation meetings are held on a regular basis with residents where specific works are to be programmed that will result in temporary power loss. On going meetings are held to address any specific issues raised by residents particularly balcony and stairwell lighting.

Other implications or issues

41. None

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

42. This report is seeking approval to extend the provision of responsive repairs and planned maintenance of communal lighting and lightning protection from October 2016 for a period of two years.
43. The report advises that these services are required in order for the council to meet its obligations as a landlord and comply with regulatory requirements. The existing contract has the provision to extend for two periods of 12 months and it is being recommended that the full available extension of 24 months is exercised.
44. The report confirms that performance to date has been good and the council has benefited from unit cost reductions providing continued value for money for this contract. It would appear that there is no reason why the council should not continue with these arrangements for the recommended extension period.

Director of Legal Services

45. This report seeks the approval of the strategic director of finance and corporate services for an extension to the Communal Lighting and Lightning Protection contract which is being performed by Spokemead Maintenance Ltd. This report sets out the extent of the extension and the reasons why the extension is necessary.
46. The report confirms at paragraphs 10 to 13 why an extension of 2 years is required and what will happen at the end of this extension period.
47. The nature of this variation is such that it is subject to the new Public Contracts Regulations 2015 (PCR 2015). Regulation 72(1)(a) of the PCR 2015 allows the council to extend the current contract as this option was provided for in the initial procurement documents and does not alter the overall nature of the contract.
48. As the decision to approve this extension falls within contract standing order (CSO) 4.6.2a), the decision may be taken by the strategic director of finance and corporate services, after consideration by the corporate contracts review board (CCRB). The report has been considered by CCRB and its comments have been included.
49. CSO 2.3 requires that a variation decision may only be made if the expenditure involved has been approved. Paragraphs 36 and 37 of this report confirm the financial implications of this variation.

Strategic Director of Finance and Corporate Services (HCS 15004)

50. The strategic director of finance and corporate services notes the recommendation in this report for the contract extension of the Communal Lighting and Lightning Protection contract.
51. The extension will operate from October 2016 for two years, thus impacting on financial years 2016/17, 2017/18 and 2018/19.
52. The costs are met from the Housing Revenue Account budget, which for 2016/17 will be agreed by cabinet in January 2016. The financial implications show that the budget has been overspent in the past, and a budget virement is being agreed to address this. The budget will need to be monitored on a regular basis as part of the departmental revenue monitoring process to ensure that spend does not exceed budget or that any overspend is contained within Maintenance and Compliance.

Head of Specialist Housing Services

53. This contract was subject to consultation under the Commonhold and Leasehold Reform act 2002 and Notice of Proposal was served under schedule 2 of the regulations on 5.4.13. The Notice identified the contract term to include an extension of the period by two years and so there is no requirement for further consultation where such an extension is proposed.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature  Date 30.6.15
Duncan Whitfield, Strategic Director of Finance and Corporate Services

BACKGROUND PAPERS

Background Papers	Held At	Contact
Gateway 2 'open' report – Communal Lighting and Lightning Protection Contract	Housing and Community Services, Engineering & Compliance 160 Tooley Street London SE1 2QH	Gavin Duncumb, Commercial Manager Ext 50685
Annual Contract Performance Report: Spokemead Maintenance Ltd Contract for the Communal Lighting and Lightning Protection	Housing and Community Services, Engineering & Compliance 160 Tooley Street London SE1 2QH	Gavin Duncumb, Commercial Manager Ext 50685

APPENDICES

No	Title
n/a	

AUDIT TRAIL

Lead Officer	David Lewis, Head of Maintenance and Compliance	
Report Author	Gavin Duncumb, Commercial Manager	
Version	Final	
Dated	17 June 2015	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Head of Procurement	Yes	Yes

Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Specialist Housing Services	Yes	Yes
Cabinet Member	N/a	N/a
Date final report sent to Constitutional Team		26 June 2015

