

Item No.	Classification: Open	Date: 21 June 2018	Meeting Name: Strategic Director of Housing and Modernisation
Report title:		Gateway 2 - Contract Award Approval Responsive Repair and Maintenance – Fire Protection Chargeable Contracts (North & South)	
Ward(s) or groups affected:		All	
From:		Director of Asset Management	

RECOMMENDATIONS

1. That the strategic director of housing and modernisation approves the award of Contract A – Fire Protection Contract to CLC Contractors Limited (CLC) for the estimated sum of £500,000 per annum for a period of three years from 1 October 2018 making a total estimated contract value of £1,500,000.
2. That the strategic director of housing and modernisation approves the award of Contract B – Fire Protection Contract to PRB Estates Ltd (PRB) for the estimated sum of £500,000 per annum for a period of three years from 1 October 2018 making a total estimated contract value of £1,500,000.
3. That the strategic director of housing and modernisation notes that both CLC and PRB will operate as a backup contractor to each contract area in the event of the failure to deliver the service, using their own tendered rates should this be required.

BACKGROUND INFORMATION

4. The planned procurement strategy was the subject of a Gateway 1 report approved by the strategic director of housing and modernisation on 12 October 2017. The approved competitive tendering procurement strategy was followed.
5. The scope of works for the two new contracts will include the following:
 - Passive and active fire protection, including all/any associated works;
 - Windows, doors, frames, linings and casings;
 - Associated sundry building works;
 - Scaffolding, mobile towers, hydraulic lifts and working platforms to facilitate the works; and
 - Repair all external associated repairs.
6. The two new contracts are based on a geographical split (north and south) of the borough (Contract A – north - Walworth, Borough and Bankside, Bermondsey, Rotherhithe and Contract B – south - Camberwell, Peckham, Nunhead and Peckham Rye, Dulwich) each providing all of the works noted at paragraph 5 above.
7. The total estimated value for the contracts stand at £3m, broken down as follows: total cost for the three year period for each contract = £1.5m.

8. The prices are fixed until 1 April 2020 but the contracts contain a General Maintenance Index adjustment that is applied annually thereafter.

Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	20/03/2018
Approval of Gateway 1: Procurement Strategy Report	12/10/2017
Issue Notice of Intention (Applies to Housing Section 20 Leaseholder Consultation)	18/10/2017
Invitation to tender	05/01/2018
Closing date for return of tenders	12/02/2018
Completion of evaluation of tenders	26/02/2018
Issue Notice of Proposal (Applies to Housing Section 20 Leaseholder Consultation)	28/03/2018
DCRB Review Gateway 2:	11/06/2018
Notification of forthcoming decision – Five clear working days	18/06/2018
Approval of Gateway 2: Contract Award Report	21/06/2018
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	28/06/2018
Contract award	29/06/2018
Add to Contract Register	29/06/2018
Publication of award notice on Contracts Finder	02/07/2018
TUPE Consultation period (if applicable)	30/09/2018
Contract start	01/10/2018
Contract completion date	30/09/2020
Contract completion date – if extension(s) exercised	30/09/2021

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

9. These contracts will ensure that the council has arrangements for fire protection repairs and will contribute to maintaining the council's housing stock complementing the council's warm, dry and safe works already undertaken and future Quality Housing Improvement Programme (QHIP). These contracts will fall within the scope of the Right to Repair Regulations 1994. Residents rely on the council to ensure that all passive and active fire protection, windows, doors, frames, linings and casings are maintained to a standard to reduce the risk from fire in homes and communal areas. The council also needs to ensure that preventative maintenance is undertaken to remove the demand on responsive repairs. The provision of these contracts will contribute to the health and safety and quality of life of council residents.

Key/Non Key decisions

10. This report deals with a key decision.

Policy implications

11. The works provided through these contracts will contribute to the council's Fairer Future Promise of quality affordable homes, improving housing standards and revitalising neighbourhoods.

Tender process

12. As outlined in the Gateway 1 report approved on 12 October 2017, contract standing orders (CSOs) require a minimum of 5 contractors to be invited to tender from the council's works Approved List. On this occasion, 6 contractors were invited to tender for these works taken from the general building maintenance and ground works categories of the council's works Approved List as well as Tenderer 1. No nominations were made by leaseholders.
13. The six companies invited to tender are detailed below:
- Tenderer 1
 - Tenderer 2
 - CLC Contractors Ltd (CLC)
 - PRB Estates Ltd (PRB)
 - Tenderer 5
 - Tenderer 6
14. Prior to tendering, all companies were contacted via email and telephone, outside of the e-portal, in order to notify them of the opportunity and to ensure that they had access to the pro-contract system and the tender documents.
15. Tenders were issued on 5 January 2018 with a return date by 1pm on 5 February 2018. However, an extension was issued due to e-portal access issues experienced by one of the bidders and a revised return date of 1pm on 12 February 2018 was set.
16. Only four signed confidentiality undertakings were received from CLC, Tenderer 2, PRB and Tenderer 1. Both Tenderer 5 and 6 did not return signed confidentiality undertakings as they withdrew from the process without giving reasons despite showing initial interest.

Tender evaluation

17. Four bids were returned via the e-portal on or by 1pm on 12 February 2018 and were opened the same day. These were then checked for compliance.
18. Tenders were evaluated on the basis of M.E.A.T (most economically advantageous tender) using a weighted model of 70:30 price and quality.
19. The price was evaluated by two quantity surveyors. The quality evaluation was assessed individually by four council officers consisting of a procurement

manager, communal repairs manager, specialist services contract manager and a technical officer.

20. All tenders were initially checked for completeness and compliance with the tender documents as set out in the Tender Evaluation Methodology (TEM) before the price evaluation was carried out. The TEM is attached as Appendix 1.
21. A price evaluation model was used that contained various annexes covering the different work streams and hourly rates. This tendering approach was intended to preclude tactical tendering of any work streams and reduce the risk of uncontrolled expenditure.
22. Annex 1 of the pricing schedule was not pre-priced and required tenderers to insert price themselves. Annex 2-6 contained a pre-priced schedule of rates and estimated indicative quantities for each annex based on historical data and the tenderers were required to put either a +/-% against each annexe, including their hourly rate.
23. Price evaluation was marked out of 70%, composed of 40% for the Best (lowest) Price and 30% award on the basis of proximity to the mean average price of all tendered prices.
24. As a measured term contract is proposed, the figures and quantities used in the price evaluation were indicative only, to enable an evaluation of the relative prices of the tenders. Final expenditure will be demand led in accordance with the available budget. Each tendered price was scored against Best (Lowest) Price and Proximity to the Mean Average of all tendered prices. Tender prices submitted and the respective scores are as follows:

Position	Contractors	*Tender Sum	Best Price % Weighting	Mean Average Price % Weighting	Combined Price Total
1	CLC	296,231.06	40.00%	28.53%	68.53
2	Tenderer 1	316,126.50	37.48%	30.00%	67.48
3	Tenderer 2	316,959.73	37.38%	29.92%	67.31
4	PRB	328,019.98	36.12%	28.91%	65.04

*Note tender sum figures are for evaluation purposes only

25. The quality assessment was based on the information received from bidders who were required to provide information to support their quality submission in response to Method Statements (MS) covering resources, service delivery, quality control and compliance, London Living Wage and Modern Slavery Act.
26. A summary of results from the quality evaluation is shown in the table below:

Tender Quality Score Summary 0~5 Scores	MS 1 - Resources		MS 2 - Service Delivery				MS 3 - Quality Control and Compliance		MS 4 - London Living Wage (LLW)		MS 5 - Modern Slavery Act
Tenderer	A. Resources for Mobilisation	B. Information Technology & Communication	i. i. Out of hours emergency responsive services	ii. II. Managing Multiple Work streams	iii. III. Right First Time	iv. IV. Leaseholders	A Quality and compliance during and after the Works	B Improving Service Delivery	A. Administer of LLW	B. Identification of Productivity Gains	Confirm you are compliant with annual reporting.
CLC	4	4	4	4	3	4	4	4	3	2	5
PRB	3	3	3	3	4	4	4	2	4	4	5
Tenderer 2	3	2	1	2	2	3	3	3	4	4	5
Tenderer 1	1	3	1	3	1	2	1	1	1	1	5

27. Bidders were required to submit a method statement proposal answering the questions contained within the Quality Submission Schedule attached. This MS will be incorporated into each contract as the Contractors' planned way of working/operating throughout the Contract Period.
28. All submissions were scored against the same criteria / sub criteria and sub-weightings as set out in this schedule.
29. The quality assessment was weighted in relation to the level of importance put upon each criterion and is detailed in the TEM. In addition, the council reserved the right to reject any tender that scored below 3 (good) for MS questions two (2), three (3) and four (4).
30. However given that three (3) of the four (4) tenderers scored a two (2) or below, at least once in their MS responses, the council used its discretion and did not reject any bids. This is detailed in paragraph 26 above.
31. The 0~5 scores shown at paragraph 26 above resulted in the weighted scores shown below.

Tenderer	MS 1: Resources Max. Score of 4	MS 2: Service Delivery Max Score of 20	MS 3: Quality Control and Improving Service Delivery Max Score of 4	MS 4: London Living Wage (LLW) Max Score of 1	MS 5: London Living Wage Modern Slavery Max Score of 1	Total Max Score of 30
CLC	3.20	14.80	3.20	0.50	1.00	22.70
PRB	2.40	14.20	2.40	0.80	1.00	20.80
Tenderer 2	2.00	8.00	2.40	0.80	1.00	14.20
Tenderer 1	1.60	6.60	0.80	0.20	1.00	10.20

32. The table below shows the tenderers combined price and quality scores and identifies the two successful tenderers.

Tenderer	Combined Price Score Total	Quality Score 30 % available	Total Score	Position
CLC	68.53	22.70	91.23	1
PRB	65.04	20.80	85.84	2
Tenderer 2	67.31	14.20	81.51	3
Tenderer 1	67.48	10.20	77.68	4

33. The TEM detailed that the top two scoring contractors would be awarded a contract. Contract A will be awarded first to the successful tenderer achieving the lowest price and Contract B will be awarded to the second top scoring tenderer.

Plans for the transition from the old to the new contract

34. The council's asset management team will develop an overall plan to manage and monitor this critical phase ensuring transition from the current service delivery contracts to the two new contracts successfully.
35. The mobilisation plan will include;
- IWorld transition with programmed closure of existing Schedule of Rates (SOR) and commencement of new SORs including briefing call-centre
 - IT user set-ups and systems testing, and IWorld training for contractors staff
 - Arranging for current service providers to transfer keys, data, permits and other Southwark assets to the new contractors
 - TUPE transfers for relevant employees.
 - Distribution of the asbestos register and briefing to new contractors
 - Contractors internal mobilisation planning including fleet preparation, stock acquisition and staff briefings.

Plans for monitoring and management of the contract

36. The contract will be managed by the housing asset management team.
37. Key Performance Indicators (KPI) will be set and challenged to ensure the successful contractors' performance. In particular, targets will be set to ensure all fire protection repairs are completed within the contractual timescales.
38. The table below shows the KPIs for the Contracts.

NO	Key Performance Indicator	Minimum Target Percentage %	Council's Aspirational Target Objective %
1.	Right first time	90%	95%
2.	Percentage of Priority Code 1 and 3 Orders completed within the stipulated time periods.	95%	98%
3.	Average Completion Days for all non priority orders (15 days, aspirational 10 days)	95%	98%

39. The asset management team will undertake audit site inspections to ensure that method statements are adhered to and repair and maintenance works are compliant and delivered to a high standard.
40. The asset management team will review all applications for payment and monitor and administer defaults and recovery of costs for poor performance.
41. Monthly progress meetings with CLC and PRB and the asset management team, will be arranged and recorded to review performance and compliance.
42. Both CLC and PRB will be required to complete and return annual compliance checks to ensure that they comply with the LLW payment undertakings, contractual insurance and professional certification. The commercial team will carry out annual financial checks.

Identified risks for the new contract

43. The table below identifies the specific risks associated with these contracts, the likelihood of occurrence and the controls in place to mitigate the risks.

R/N	Risk	Likelihood	Risk Control
R1	CLC and/or PRB go into liquidation, administration or cease trading.	Low	<p>The contracts contain the provision for both contractors to act as backup for each other. If both cease trading, council's works Approved List will be used whilst re-procuring the contract(s) should this occur.</p> <p>The financial stability of the organisations will be continuously monitored throughout the contracts through the contract management process.</p>

			<p>MINT credit checks were carried out as part of the tendering process – see paragraph 59 below.</p> <p>Retention will be held on all interim payments to mitigate against the risks involved of company failure by either contractor.</p> <p>A Parent Company Guarantee will not be taken up as both contractors do not have ultimate holding companies.</p>
R2	Ineffective mobilisation	Low	<p>Mobilisation meetings will be held weekly.</p> <p>In total 4 months mobilisation period has been programmed for and is expected to be completed by 30 September 2018.</p>
R3	One or both contractors unable to fulfil the requirements of the contract e.g. poor performance, leading to the need to terminate the contract.	Low	<p>The council will use back up arrangements within the contract. If both fail the Approved list of contractors will be used whilst re-procuring the contract(s) should this occur.</p> <p>The tender selection process reduces the likelihood of poor performance through the use of method statements to evaluate a tenderer's capacity to deliver.</p>

Other considerations (For Housing Department works contracts only)

Community impact statement

44. The two contracts are borough wide and support the council's Fairer Future Promises for quality affordable homes and revitalised neighbourhoods.
45. Both contracts will be of low impact to tenants, homeowners and other stakeholders as these are external works.

Social Value considerations

46. The 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 well being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

47. The full cost to the council and the life span of each contract is set out in paragraph 1 and 2 of this report.
48. Both CLC and PRB will each provide two week slots for one (1) student per annum for local school work experience for administration work and each provide opportunity for one (1) apprenticeship for the duration of the initial term of the contracts. This will be monitored by the asset management team and reported in the annual performance review reports.

49. The council has requested the necessary information from both CLC and PRB (using the council's standard documentation in relation to blacklisting) and both contractors have confirmed that they have not taken part in any blacklisting. The contract conditions also includes an express condition requiring compliance with the Employment Relations Act 1999 (Blacklists) Regulations 2010 and include a provision to allow the contract to be terminated for a breach of these requirements. The commercial team will carry out an annual check to ensure compliance with the Regulations as part of the annual performance review.
50. CLC and PRB have demonstrated that they operate an Equal Opportunity Policy and that they are fully aware of and compliant with the council's own Equal Opportunity Policy in particular.

Social considerations

51. The Gateway 1 report approved on 12 October 2017, for the reasons stated in that report, confirmed that payment of LLW was an appropriate and best value requirement for each contract. CLC and PRB have both confirmed that they exceed the LLW requirements. Following award, quality improvements and costs implications linked to the payment of LLW will be monitored as part of each contract review process.

Environmental/Sustainability considerations

52. The contracts will contain requirements to recycle metal and timber products.
53. The use of low emission vehicles and the planning of journeys will be encouraged within the contracts.

Market considerations

54. Both CLC and PRB are small and medium sized enterprise (SME) private limited companies. CLC are based in Hampshire and have more than 500 staff across the divisions. PRB are based in Crystal Palace and have fewer than 50 staff.

Staffing implications

55. There are no staffing implications.

Financial implications

56. The Fire Protection Contract is estimated to cost £1,000,000 per annum (Contract A CLC Contractors Limited £500,000 and Contract B PRB Estates Ltd £500,000) and a total of £3,000,000 over the three years.
57. These works are currently completed under the Responsive Repairs contract (North and South) and a budget of £1,000,000 has been allocated from the existing contract per annum to cover the estimated cost of the Fire Protection Contract.
58. The prices are fixed until 1 April 2020 with a General Maintenance Index being applied annually thereafter. Where these works are chargeable to leaseholders they will be recharged through the annual charge.

Second stage appraisal (for construction contracts over £250,000 only)

59. Second stage financial appraisals were obtained from Mint UK for all tenderers on 27 February 2018. All the tenderers met the requirement (a Mint score of 40 or above) and CLC achieved a Mint credit score of 97 whilst PRB achieved a Mint credit score of 48.

Legal implications

60. Please see concurrent from the Director of Law and Democracy.

Consultation

61. A Resident Engagement Plan has been prepared and will be communicated to all residents.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M18/011)

62. The strategic director of finance and governance notes the recommendations in this report for the award of the fire protection chargeable contracts at an estimated cost of £1m per annum to CLC (Contract A) and PRB (Contract B) with effect from 1st October 2018. Each contractor will act as back-up contractor for the other to ensure seamless service delivery for a period of three years.
63. The cost of these contracts are provided for within the housing revenue account budget and are service chargeable to homeowners under the terms of the lease.

Head of Procurement

64. This report is seeking approval to award two Fire Protection contracts for a period of 36 months. These contracts will cover the North and South of the borough delivering the works listed in paragraph 5 with each of the contractors providing backup arrangements for the other.
65. The report describes the procurement process that was followed and confirms that this was in line with the procurement strategy which was approved on 12 October 2017. A procurement exercise using the councils approved list (EXOR) was used to source this contract. The report confirms that six companies were invited to tender but only four bona fide tenders were received and evaluated according to the weighted model advised in the Gateway 1. This level of response was not surprising given the interim nature of the contract.
66. A paragraph 17 - 33 describe how the submissions were evaluated and the results of that process and confirms that the two recommended companies submitted the most economically advantageous tenders. Transferring this type of service from an existing provider to two new providers requires robust planning and careful management. The report confirms that mobilisation was specifically assessed during the process and paragraph 35 summarises some of the key areas that will need to be addressed to ensure residents experience a seamless service during transition.

67. Paragraphs 36 to 42 details the monitoring and management arrangements that will be in place during the life of the contract with specific focus on three essential key performance indicators that are linked to payment.

Director of Law and Democracy

68. This report seeks the approval of the strategic director of housing and modernisation to the award of two separate fire protection chargeable contracts - Contract A for north of the borough to CLC Contractors Ltd (CLC) and Contract B for south of the borough to PRB Estates Ltd (PRB) as further detailed in paragraphs 1 and 2. It is also noted that approval of the strategic director of housing and modernisation is also sought for CLC and PRB to act as back up contractor to each other on their own tendered rates when required.
69. The value of the works is such that they are subject to taking all reasonable steps to obtain at least five tenders following a publicly advertised competitive tender process in accordance with contract standing orders (CSO) 4.3 and paragraph 12 confirms that this tender process was publicly advertised to five companies and the council's SBS department.
70. The decision on the award of these contracts is reserved to the relevant chief officer (or under his delegated authority) in accordance with CSO 6.5.2(i).
71. CSO 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 56-58 confirm the financial implications of these awards.

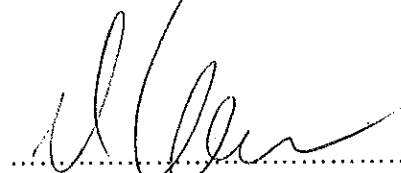
Director of Exchequer (for housing contracts only)

72. The works to be undertaken within this contract are service chargeable within the terms of the lease. This is a qualifying long term agreement under the terms of the Commonhold and Leasehold Reform Act 2002 and consultation has been carried out under Schedule 1 of the regulations.
73. Section 20 Notice of Intention was issued 18 October 2017, and the Notice of Proposal was issued 28 March 2018. Notice was issued under the same cover for 3 other repairs and maintenance contracts. We received seven observations which were given due regard, none of which affect the procurement of the contracts
74. If the fire protection repairs and maintenances works result in charges over £250 additional consultation will be required on that work under Schedule 3 of the regulations
75. Costs will be service charged through the annual charge. Any changes to the way in which work is ordered and paid for should be discussed with the service charge accountant to ensure that all costs can be attributed on a block by block basis.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

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

Signature



Date 29 June 2018

Michael Scorer – Strategic Director of Housing & Modernisation

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions which are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available.

1. DECISION(S)
As set out in the recommendations of the report.
2. REASONS FOR DECISION
As set out in the report.
3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION
Not applicable.
4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION
5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST
<i>If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.</i>
6. DECLARATION ON CONFLICTS OF INTERESTS
I declare that I was informed of no conflicts of interests.*
or
I declare that I was informed of the conflicts of interests set out in Part B4.*
(* - Please delete as appropriate)

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 Procurement Strategy Approval Responsive Repairs and Maintenance – Fire Protection Repairs Contracts (North & South)	Asset Management	Gavin Duncumb 020 7525 0685
Link: G:\Asset Management\Engineering & Compliance\00 F-RM\ADMIN & GWs\GW Docs\GW1 Fire Protection Signed.pdf		

APPENDICES

No	Title
Appendix 1	Tender Evaluation Methodology

AUDIT TRAIL

Lead Officer	Dave Markham – Director of Asset Management	
Report Author	Sophie Haddow – Quantity Surveyor	
Version	V3	
Dated	29/05/2018	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes/No
Head of Procurement	Yes	Yes/No
Director of Law and Democracy	Yes	Yes/No
Director of Exchequer (for housing contracts only)	Yes	Yes/No
Cabinet Member	No	No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes/No
Corporate Contract Review Board	No	No
Cabinet	No	No
Date final report sent to Constitutional/Community Council/Scrutiny Team	N/A	