

Item No. 17.	Classification: Open	Date: 26 June 2013	Meeting Name: Cabinet
Report title:		Gateway 2 – Contract Award Approval Communal Lighting and Lightning Protection Contract	
Ward(s) or groups affected:		All Wards	
Cabinet Member:		Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management	

FOREWORD – COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING MANAGEMENT

Good estate lighting plays an important role in deterring crime and making residents feel safe and secure in their neighbourhoods. When lights fail it is clearly important that they are repaired quickly to avoid the inconvenience outages cause for residents.

I have had a great deal of feedback from residents about estate lighting. Chief amongst the issues was the need to respond to outages quickly; the need for proactive inspections being undertaken to identify problems early, particularly in the autumn and winter months; and the need to keep residents informed of repair work at all times. I am pleased that all of these issues will be incorporated into the new contract and working practices between the contractor and council officers.

The proposed new contract will bring together estate lighting and lightning protection, which will not only provide better value for money but also mean service delivery is more efficient and responsive. The new contract will also allow the council to build on the good work already started on using LED lighting. This will offer lights that last longer, provide better lighting and reduce CO2 emissions.

It is my expectation that this new contract will build on much of the good work achieved to date and deliver the excellent service residents deserve.

RECOMMENDATION

1. That the cabinet approves the award of the Communal Lighting and Lightning Protection contract to Spokemead Maintenance Ltd for the estimated sum of £896,000 per annum for the period of 3 years from 1 October 2013 to the value of £2,688,000; with the option to extend by a further 2 years in 12 monthly increments making the total estimated contract value £4,480,000.

BACKGROUND INFORMATION

2. A Gateway 1 report setting out the strategy for the procurement of Communal Lighting and Lightning Protection contract was approved on 15 May 2012. The strategy set out that the services being supplied by two (2) separate contractors would be combined to tender for one (1) contract through the tendering process. This strategy was adhered to.
3. The scope of the proposed 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.

Procurement project plan (Key Decision)

4. See table below:

Activity	Completed by:
Forward Plan for Gateway 2 decision	01 March 2013
Approval of Gateway 1: Procurement Strategy Report	15 May 2012
Issue Notice of Intention	12 Sept 2012
Invitation to tender	23 Jan 2013
Closing date for return of tenders	04 March 2013
Completion of evaluation of tenders	19 March 2013
Issue Notice of Proposal	09 April 2013
DCRB Review: Gateway 2	02 May 2013
CCRB Review: Gateway 2	16 May 2013
Notification of forthcoming decision – despatch of Cabinet agenda papers	28 May 2013
Approval of Gateway 2: Contract Award Report	26 June 2013
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	11 July 2013
Alcatel Standstill Period (end date)	21 July 2013
Contract award	22 July 2013
Add to Contract Register	22 July 2013
Publication of award notice in Official journal of European (OJEU)	25 July 2013
TUPE Consultation period	30 Sept 2013
Contract start	01 Oct 2013
Contract completion date	30 Sept 2016

Activity	Completed by:
Contract completion date – if extension(s) exercised	30 Sept 2018

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

5. These services will maintain Housing's existing assets and deliver regular planned inspections and maintenance of Communal Lighting and Lightning Protection to comply with current legislation. This includes housing blocks, sheltered housing units, temporary accommodation hostels and tenant's halls.
6. The contract brings together the responsive repairs and planned maintenance to communal lighting, landlord supplies and lightning protection for council housing stock into a single contract to ensure that efficient and cost effective services are obtained.

Key/Non Key Decision

7. This report deals with a key decision.

Policy implications

8. The provision of a Communal Lighting and Lightning Protection service is required in order that the council fulfils its duties and obligations as a landlord and employer. The maintenance of communal lighting is also important in contributing to community safety objectives, reducing the fear of crime and deterring vandalism of property.

Tender process

9. Following the placement of the OJEU advertisement, Expressions of Interest were received from 31 bidders. Pre-Qualification Questionnaires (PQQ) were immediately dispatched to each of the bidders.
10. The PQQ contained the following sections to be completed:
 - a. Section A – General Information (Info Only)
 - b. Section B – Financial (Pass or Fail)
 - c. Section C – Equal Opportunities (Pass or Fail)
 - d. Section D - Health and Safety (Pass or Fail)
 - e. Section E – References (Info Only) – it was required that references should relate to the case studies provided in Section H
 - f. Section F – Environmental (Pass or Fail)
 - g. Section G – Quality (Pass or Fail)
 - h. Section H – Technical contained 9 questions with a minimum threshold of 50%.

11. The PQQ submissions were evaluated by the following members of the project team:

Section Evaluated	By whom (post)
General Information	Commercial Manager and Assistant Quantity Surveyor
Financial	Management Accountant
Equal Opportunities	Commercial Manager and Assistant Quantity Surveyor
Health & Safety	External Consultant – Potter Raper Partnership
References	Assistant Quantity Surveyor
Environmental	External Consultant – Potter Raper Partnership
Quality Assurance	External Consultant – Potter Raper Partnership
Technical	Contracts Manager and Electrical Engineer

12. A total of 13 bidders returned PQQ submissions by the required deadline of 8 October 2012. The Invitation to Tender (ITT) was sent out to the shortlisted bidders on 23 January 2013.
13. It was the council's intention that six (6) bidders should progress to the ITT stage. However, only five (5) of the submissions achieved the required standards set out in the PQQ.
14. It should be noted that an internal service provider, London Borough of Southwark – Public Realm Asset Management Business Unit, responded to the advert. The internal service provider was treated in exactly the same way as other bidders.
15. An "Information Day" was held on 6 February 2013 at Tooley Street and was presented by the Commercial Manager and the Electrical Contracts Manager. This enabled the Council to ensure that tenderers submitted a compliant tender. All of the five (5) shortlisted bidders attended.
16. In total four (4) tenders were returned to Tooley Street by the tender return date of 4 March 2013. Tenders were opened on 5 March 2013 and checked for compliance.

Tender evaluation

17. The Tender Evaluation Panel (TEP) consisted of the following individuals, with areas of evaluation being conducted separately from each other.

AREA EVALUATED	BY WHO (POST)
Price (70%)	Commercial Manager and G.A.S. Consultant
Quality (30%)	Electrical Contract Manager, Electrical Engineer and Quantity Surveyor

18. All returned tenders were checked for arithmetic accuracy and consistency with the ITT submissions.
19. Tenders were evaluated using the council's standard 70% price 30% quality split. A Price Schedule Model was used, which contained various annexes covering the different work streams and hourly rates. The model includes for all housing

blocks, sheltered housing units, hostels and tenant resident association halls. This tendering approach is intended to preclude tactical tendering of any work streams and reduce the risk of uncontrolled expenditure.

20. Each annexe contained a pre-priced schedule of rates and indicative quantities for each schedule based on previous historical data and the tenderers were required to put a + / - % against each annexe, including their hourly rate and cost of performance bond.
21. The quality assessment was based on information received from tenderers in response to method statements covering Mobilisation, Service Delivery and Management.
22. Each member of the TEP independently assessed each method statement response. The TEP then checked the scoring for consistency and agreed a consensus score. Final scores were calculated to ascertain the tenderer's overall score.
23. The award of contract is based on the Most Economically Advantageous Tender. It is therefore recommended that the contract is awarded to Spokemead Maintenance Ltd as they achieved the highest overall score.

Plans for the transition from the old to the new contract

24. The Electrical Contracts Manager and the Commercial Manager have developed an overall plan to manage and monitor this critical phase and ensure the transition from the current service delivery to a single contract is successful.
25. As soon as the contract is awarded:
 - a. Weekly mobilisation meetings will be held with Spokemead Maintenance Ltd at Tooley Street, and site visits for Lightning Protection will be organised with the current service provider.
 - b. As Spokemead Maintenance Ltd is the incumbent Communal Lighting contractor, the opportunity will be taken to review existing systems for this area of work.
 - c. Preparations for the final handover with Central High Rise Ltd, the Lightning Protection service provider, and Spokemead Maintenance Ltd will be completed prior to the contract commencing.
 - d. The Electrical Contracts Manager will be responsible for arranging meetings with key stakeholders (Call Centre, Housing Team, Sheltered Housing Team, Southwark's Monitoring and Response Team) to ensure there is a seamless transition.
 - e. As Spokemead Maintenance Ltd is the incumbent contractor TUPE consultation will not be required. There are no TUPE implications for the Lightning Protection service provider, Central High Rise Ltd.

Plans for monitoring and management of the contract

26. The Electrical Contracts Manager and Electrical Engineer will manage the contract and will be responsible for authorising works, inspecting quality and monitoring the performance of the contractor. The Engineering and Compliance Quantity Surveyor will manage commercial aspects of the contract. Engineering and Compliance Quantity Surveyors will review the monthly valuations and select

jobs that require post inspections to ensure quality and financial accuracy. Monthly meetings will be undertaken and recorded.

27. Works orders will be raised and managed through iWorld, where all information relating to orders will be contained. The contractor will be required to provide 10% post-inspections that will be rigorously audited by the Electrical Engineer.
28. Crucial for any estate lighting contract is the need for pro-active rather than reactive inspections. Spokemead Maintenance Ltd will work directly with the proposed new Communal Repairs Compliance Officers (CRCO) who will lead on weekly inspections throughout the year of all communal lights across the borough. This approach will ensure faulty and broken lights are identified and resolved quickly. The CRCO will be empowered to use the appropriate sanctions under the contract should performance by Spokemead Maintenance Ltd fall short of the council's high expectations.
29. The table below shows the Key Performance Indicators for the contract.

	Key Performance Indicator	Minimum Target Percentage	Council's Objective
1.	Percentage of Emergency (Priority Code 0 and 1) Orders commenced during that month and completed within the stipulated time periods in each Order.	95%	100%
2.	Percentage of Priority Code 2, 3 and 4 Orders completed within the stipulated time periods.	95%	98%
3.	Percentage of Orders for which an appointment can be made and is kept.	95%	100%
4.	Percentage of Orders for which a Recall Notice (recall Order) has not been issued within the calendar month.	98%	100%
5.	Completion of response repairs at the time of the first visit.	90%	95%
6.	Percentage of Planned Inspection and Testing Program On Time.	98%	100%
7.	Response to queries or complaints from residents and Council Officers to meet the Council's Corporate Complaints Policy i.e. within 5 days.	100%	100%

Identified risks for the new contract

30. The table below identifies a number of risks associated with this contract procurement, the likelihood of occurrence and the controls in place to mitigate the risks.

Risk Identification	Likelihood	Risk Control
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	Risk Identification	Likelihood	Risk Control
R1	Contract award delayed	Low	Engineering and Compliance to liaise with Legal. If necessary, approach incumbent Lightning Protection service provider to provide interim arrangements.
R2	Ineffective Mobilisation & Transition from Old to New Contract	Low	Mobilisation / demobilisation meetings and weekly site visits, in conjunction with the current Lightning Protection service provider. Active operational risk management strategy Contract management systems Scheduled hand-over project management
R3	Spokemead Maintenance Ltd ceases trading, go into administration or liquidation	Low	Engineering and Compliance will utilise the approved contractor list on an interim basis while a procurement plan is put in place.

31. Spokemead Maintenance Ltd has complied with the contract documents and will provide a Performance Bond. Spokemead Maintenance Ltd has confirmed that they do not have a parent company and therefore a Parent Company Guarantee will not be obtained.
32. The contract documents contain a break clause to terminate the contract with no consideration of any loss or expense.

Design Specification Compliance

33. All repair and maintenance works orders will be carried out in accordance with the technical specification contained in the contract documents.

Leasehold implications

34. The work to be undertaken within this contract is service chargeable within the terms of the lease, and the element appertaining to the maintenance of the communal lighting and lightning protections systems will result in charges over an annual period that are above the limit for statutory consultation which means these will be charged to leaseholders.
35. Costs will be service charged through the annual charge and 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

Community impact statement

36. Spokemead Maintenance Ltd provides employment and apprenticeship opportunities to the local community. The award of this contract will secure existing jobs, particularly among those with dependents who currently enjoy the benefits of the contractor's flexible working policies, and continue to provide local

young people with the opportunities for additional apprenticeships in this high skill sector.

37. Workplace experience will also be offered to local schools. This will be organised by Engineering and Compliance.

Economic considerations

38. The full cost to the council and the life span of the contract is set out in paragraph 1 of this report.
39. The award of the contract to Spokemead Maintenance Ltd contributes to a 3.5% (£31,360) saving on existing schedule of rates which will allow for more works to be completed.
40. Spokemead Maintenance Ltd is based in the borough and 55% of its employees are local residents.

Social considerations

41. Spokemead Maintenance Ltd demonstrated that they operate an Equal Opportunity Policy and that they are fully aware and compliant with the council's own Equal Opportunity Policy, in particular.
42. In February 2012, the Council Assembly introduced plans to ensure that, where appropriate, contractors pay staff at a minimum rate equivalent to the London Living Wage (LLW) rate. Spokemead Maintenance Ltd confirmed that they met the LLW requirements and supported the council's decision. On award the quality improvements and cost implications will be monitored as part of the annual review
43. Spokemead Maintenance Ltd recognised that paying above the LLW offers enhanced quality of work from a motivated workforce and a lower staff turnover.

Environmental considerations

44. All lamps, light fittings and equipment being replaced will be disposed of in accordance with the latest Waste Electrical and Electronic Equipment Regulations (WEEE).
45. All recyclable packaging is to be set aside and disposed of via a recycling centre.
46. No hazardous materials will be used.
47. Spokemead Maintenance Ltd will be issued with the council's current asbestos register to avoid any risk of exposure to the contractor or the residents.

Market considerations

48. Spokemead Maintenance Ltd is a local contractor for the provision of electrical services to the public sector and employs over 30 qualified electricians.

Staffing implications

49. There will be no impact on council staff caused as a consequence of implementing this contract. Officers are already fulfilling the works ordering and

monitoring roles of the current contracts and these functions will continue under the new contract.

50. This contract will be managed by the Electrical Contracts Manager and Commercial Manager for Engineering and Compliance.

Financial implications

51. The Communal Lighting and Lightning Protection is a borough-wide contract covering responsive repairs and maintenance of all light fittings and lightning protection systems on housing estates.
52. The current HRA budget for Communal Lighting contract is £746,171 per annum within Engineering for the foreseeable future and £150,000 has been identified within the Repairs and Maintenance budget to cover the Lighting Protection costs. This will be transferred to the Engineering budget to allow a budget of £896,171, which is sufficient to cover the estimated cost of £896,000. Allowing £2,688,513 for the three years and £4,480,855 for the five year period.
53. Any Building Maintenance Index increases will need to be contained within this budget. Costs arising within the revised Repairs and Maintenance budget after transfer, will need to be contained within the reduced R & M budget.

Investment implications

54. There are no investment implications.

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

55. An Experian Credit Check report was obtained on the 24 April 2013. Spokemead Maintenance Ltd are a below average risk contractor.

Legal implications

56. Please see comments from the Director of Legal Services.

Consultation

57. This contract is a qualifying long term agreement within the terms of the landlord and tenant act 1985 (as amended). It is subject to consultation under schedule 2 of the regulations. Notices of Intention were served on all council leaseholders on 20.7.12. Notices of Proposal were served on all leaseholders on 5.4.13.
58. The consultation period for the Notice of Proposal ended on 9.5.13. The Head of Specialist Housing Services has formally notified the contract procurement team that the observation period has finished. There were 18 observations received from leaseholders following the issue of 17,130 notices. All of the observations were responded to and none of them raised any issues that would affect the progress of the contract.
59. Consultation under schedule 3 of the regulations will be required on any individual items of work carried out within the contract where there will be a charge that exceeds £250 for any leaseholder.

Other implications or issues

60. Not applicable.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

61. This report is seeking approval from Cabinet for the award of a communal lighting and lightning protection contract. These services, currently being delivered through two separate contracts have been combined into a single contract.
62. The procurement strategy set out in the previously approved Gateway 1 report has been followed with a full restricted EU competitive process being undertaken.
63. Paragraphs 17 – 23 of the report describe the evaluation process that was carried out and that tenders were evaluated using a weighted model to determine the most economically advantageous tender (MEAT). The report confirms that the recommended provider scored highest on both quality and price.
64. As two contracts are being combined into a single contract it is important that a robust process is in place to ensure a smooth transition from the old contracts to the new. The report sets out plans for the transition in Paragraphs 24 and 25.
65. Paragraphs 26 - 29 describe how the contract will be managed and monitored throughout the life of the contract. With officers now managing only one contractor it is envisaged that efficiencies may be achieved through the client managing function supporting the contract.

Director of Legal Services

66. The director of legal services notes the contents of the report which seeks the approval of cabinet to the award of the Communal Lighting and Lightning Protection Contract to Spokemead Maintenance Ltd for the estimated sum of £896k per annum for the period of 3 years from 1 October 2013 to the value of £2.688m; with the option to extend by a further 2 years in 12 monthly increments making a total estimated contract value £4.48m as outlined in this report.
67. On the basis of the information contained in this report, it is confirmed that this procurement was carried out in accordance with contract standing orders and the relevant legal requirements
68. This report confirms that, as required by law, tenders were sought from providers following an EU procurement exercise and that the most economically advantageous tender is recommended for acceptance. A contract award notice will need to be posted in the OJEU within 48 days of the award of the contract.
69. As part of the contract award process, there will need to be a standstill period of a minimum of 10 calendar days between notification of the successful tenderer that they have won the contract and the award of the contract to that tenderer, so as to allow unsuccessful tenderers the opportunity to challenge (if they decide to) the award of the contract.

70. This contract is classified as a strategic procurement and therefore CSO 4.5.2 a) requires the cabinet or cabinet committee to authorise the award of this contract, after consideration by the corporate contracts review board (CCRB) of the report.
71. CSO 2.3 provides that a contract may only be awarded if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of the council. Paragraphs 53 to 55 of this report confirm how the proposed contract will be funded.

Strategic Director of Finance and Corporate Services (FC13/030)

72. The strategic director of finance and corporate services notes the financial implications detailed in paragraphs 51 to 53 of this report. It is also noted that this represents a 3.5% saving on existing contract costs. Budget will be retained at the same level allowing for more works to be completed. The cost in future years, including any increases
73. Provision has been made within the 2013/14 HRA budget to fund the total cost of the contract. This will need to be identified, along with any increases inflationary increases in future year's budgets.
74. The strategic director of finance and corporate services also notes the method of procurement, transition arrangements and monitoring system to be put in place to manage the contract.

Head of Specialist Housing Services

75. Repairs and maintenance to communal services, including lighting and lightning protection, is rechargeable to leaseholders under the terms of their leases. This recharge will form part of the annual service charges issued to leaseholders each year.
76. Full statutory consultation with leaseholders has been carried out in accordance with the landlord and tenant act 1985 (as amended), to ensure that the all costs can be recovered. Further statutory consultation will be carried out if there are any repairs works required which would breach the consultation limit for qualifying works.
77. The Head of Specialist Housing Services is responsible for temporary and sheltered accommodation. Where repairs and/or planned maintenance are required to sheltered housing units or temporary accommodation hostels then the Electrical Contracts Manager and Electrical Engineer will need to liaise with the Supported Housing Manager and Temporary Accommodation Services Manager.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 - Procurement Strategy Approval: Communal Lighting and Lightning Protection Contract – 15 May 2012 http://moderngov.southwark.gov.uk/ielistDocuments.aspx?CId=302&MId=3823&Ver=4	Engineering and Compliance, 160 Tooley Street, SE1 2QH	Gavin Duncumb 020 7525 0685
“Open” Gateway 1 & 2 Communal Lighting – 20 June 2012 http://moderngov.southwark.gov.uk/mgIssueHistoryHome.aspx?IId=19038&Opt=0	Engineering and Compliance, 160 Tooley Street, SE1 2QH	Gavin Duncumb 020 7525 0685

APPENDICES

No	Title
None	

AUDIT TRAIL

Cabinet Member	Councilor Ian Wingfield, Deputy Leader of the Council and Cabinet Member for Housing Management	
Lead Officer	Gerri Scott, Strategic Director of Housing and Community Services	
Report Author	Gavin Duncumb, Commercial Manager	
Version	Final	
Dated	13 June 2013	
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	Yes	Yes
Head of Specialist Housing Services	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		13 June 2013