

Item No.	Classification: Open	Date: 21 August 2014	Meeting Name: Strategic Director of Housing and Community Services
Report title:		Gateway 2 Periodic Electrical Installation Testing and Remedial Works	
Ward(s) or groups affected:		All	
From:		Head of Maintenance and Compliance	

RECOMMENDATIONS

1. That the Strategic Director of Housing and Community Services approves the award of Contract A (north of the borough) Periodic Electrical Installation Testing and Remedial Works Contract to BCS (Electrical and Building) Ltd ('BCS') for an estimated sum of £650k per annum for a period of three years from 1 January 2015 with the option to extend by a further 1 year making a total estimated contract value of £2.6m.
2. That the Strategic Director of Housing and Community Services approves the award of Contract B (south of the borough) Periodic Electrical Installation Testing and Remedial Works Contract to Lockesleys Ltd ('Lockesleys') for an estimated sum of £575k per annum for a period of three years from 1 January 2015 with the option to extend by a further 1 year making a total estimated contract value of £2.3m.
3. That the Strategic Director of Housing and Community Services notes that BCS and Lockesleys will act as back up contractor to each other on their own tendered rates when required.

BACKGROUND INFORMATION

4. The current contracts with Property Facilities Group plc, Swann Services Group Ltd and C. Beaumont Ltd all expired on 31 March 2013. The first periodic testing cycle was completed. No further programmed testing is required until the start of these new contracts.
5. The planned procurement strategy was the subject of a Gateway 1 report approved on 29 November 2012. The approved strategy was followed.
6. The scope of these new contracts (Contracts A and B) will encompass the following work streams - Electrical Testing and Remedial Works. The split is as set out below.
 - **Contract A** – Walworth, Borough & Bankside, Rotherhithe and Bermondsey
 - **Contract B** – Dulwich, Peckham, Nunhead and Peckham Rye and Camberwell.
7. The separation of Contracts A and B across a geographical split of the borough (north and south) facilitates better logistical service coverage. The appointment of a single contractor for these works is not appropriate. As such, tenderers were made aware that no single contractor would be awarded both Contracts and that two separate contractors would be appointed.

Procurement project plan (Key Decision)

8. See table below:

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	26 Feb 2014
Approval of Gateway 1: Procurement Strategy Report	29 Nov 2012
Issue Notice of Intention (Applies to Housing Section 20 Leaseholder Consultation)	25 May 2013
Invitation to tender	14 Jan 2014
Closing date for return of tenders	25 Feb 2014
Completion of evaluation of tenders	19 Mar 2014
Issue Notice of Proposal (Applies to Housing Section 20 Leaseholder Consultation)	28 May 2014
DCRB Review Gateway 2:	11 Aug 2014
Notification of forthcoming decision – Five clear working days	19 Aug 2014
Approval of Gateway 2: Contract Award Report	22 Aug 2015
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	1 Sept 2014
Alcatel Standstill Period (if applicable)	15 Sept 2014
Contract award	25 Sept 2014
Add to Contract Register	27 Sept 2014
TUPE Consultation period (if applicable)	N/A
Contract start	1 Jan 2015
Publication of award notice in Official Journal of European (OJEU) – Part A/B Services	3 Oct 2014
Contract completion date	31 Dec 2017
Contract completion date – if extension(s) exercised	31 Dec 2018

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

9. Unsafe electrical supplies and appliances are a main cause of fire and these works will address the council's continuing obligation to ensure that its properties are safe and address issues arising out of statutory Fire Risk Assessments.
10. These works will maintain housing's existing assets and deliver periodic electrical installation testing and remedial works to all housing blocks and communal areas that have had a Fire Risk Assessment undertaken under the Regulatory Reform (Fire Safety) Order 2005, and to any other housing stock identified as posing a high risk in terms of the landlord's electrical supply.

11. Each contract will contain a break clause to terminate the contract with no consideration of any loss or expense at any time.

Key/Non Key decisions

12. This report deals with a key decision.

Policy implications

13. The provision of these works is required to ensure that the council fulfils its duties and obligations as a landlord and employer in respect of the electrical installations at all housing blocks and communal areas ensuring that premises are safe.

Tender process

14. Following the placement of the OJEU advertisement on 4 September 2013, 41 Expressions of Interest were received. Pre-Qualification Questionnaires (PQQ) were immediately dispatched to each of the applicants.
15. 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 G
 - f. Section F - Environmental (Pass or Fail)
 - g. Section G - Technical contained 9 questions, six of which were scored and one was Pass/Fail and the other two were information only.
16. 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
Technical	Engineering & Compliance Electrical Manager, and Compliance Project Manager

17. A total of 20 applicants returned PQQ submissions by the required deadline of 14 October 2013. The Invitation to Tender (ITT) was sent out to the shortlisted applicants on 14 January 2014.

18. The PQQ set out that the top 7 highest ranked applicants for the contracts would be invited to tender but reserved the right to invite the eighth ranked applicant should they obtain a score that was within 2% (8 points) of the seventh ranked applicant's score.
19. As the eighth ranked applicant achieved a score within 2% (8 points) of the seventh ranked applicant's score, the top 8 applicants were invited to tender. These were:
 - i. Lockesleys Ltd
 - ii. BCS (Electrical and Building) Ltd
 - iii. Lightside Ltd
 - iv. SCCI Alphatrack Ltd
 - v. Property Facilities Group Ltd
 - vi. Spokemead Maintenance Limited
 - vii. Allied Protection Limited
 - viii. Oakray Limited
20. Eight tenders were returned to 160 Tooley Street on or by 13.00pm on 25 February 2014 and were opened on 27 February 2014 and checked for compliance.

Tender evaluation

21. 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
Quality (30%)	Engineering & Compliance Electrical Manager, Compliance Project Manager and Programme Manager

22. 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.
23. All returned tenders were checked for arithmetic accuracy and consistency .
24. A Price Schedule Model was used which 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.
25. 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 a performance bond.
26. Price evaluation was marked out of 70 points. The lowest overall Tender price would be awarded 70 points. The following formula was used to evaluate the scores - $(A/B) \times C$ - where:

A = Lowest Lump Sum Price

B = Next Lowest Lump Sum Price

C = Overall Weighting for Price

27. The quality assessment was based on information received from tenderers in response to method statements covering Mobilisation, Service Delivery and Management.
28. Each member of the TEP independently assessed each method statement response using the scoring table found in Appendix 1 – Evaluation Methodology Schedule. The TEP then checked the scoring for consistency and agreed a consensus score. Final scores were calculated to ascertain the tenderer's overall score.
29. The table below sets out the combined price and quality scores:

Tenderer	Price	Quality	Total Score 100 Points	Position
Lockesleys Ltd	69.21	23.86	93.07	1
BCS (Electrical and Building) Ltd	70.00	19.76	89.76	2
Lightside Ltd				3
SCCI Alphatrack Ltd				4
Property Facilities Group Ltd				5
Spokesmead Maintenance Ltd				6
Allied Protection Ltd				7
Oakray Ltd				8

30. The award of contracts is based on M.E.A.T. The Evaluation Methodology set out that the two top scoring tenderers would each be awarded a contract. The Evaluation Methodology set out how each contract would be awarded, it is therefore recommended that Contract A be awarded to BCS and Contract B be awarded to Lockesleys.

Plans for the transition from the old to the new contract

31. The engineering and compliance electrical 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 the two new contracts is successful.
32. As soon as the contracts are awarded:

- Weekly mobilisation meetings will be held with BCS and Lockesleys at 160 Tooley Street and site visits will be organised with both contractors to familiarise with site specific issues.
- Existing processes will be updated and communicated prior to the contracts' start date.
- The engineering and compliance electrical manager will be responsible for arranging meetings with key departments (call centre, the major works team and housing and sheltered housing teams) to ensure there is a seamless transition.

Plans for monitoring and management of the contract

33. The service has a dedicated competent electrical technical officer who carries out daily joint inspections to ensure quality and compliance with the contract specifications.
34. The engineering and compliance electrical manager will manage the contracts and will be responsible for authorising works, inspecting quality and monitoring the performance of the contractors. The engineering and compliance quantity surveyor will manage commercial aspects of the two contracts. 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.
35. Works orders will be raised and managed through iWorld, where all information relating to orders will be contained. BCS and Locksleys will be required to provide 10% post-inspections that will be rigorously audited by the engineering and compliance electrical manager.
36. The table below shows the Key Performance Indicators (KPI) for the contracts:

	Key Performance Indicators (KPI)	Minimum Target Percentage	Council's Aspirational Target Objective
1.	Percentage of Urgent 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 a Recall Notice (Default Notice) has not been issued within the calendar month.	98%	100%
4.	Completion of response repairs at the time of the first visit.	90%	95%
5.	Percentage of Planned Inspection and Testing Program On Time.	98%	100%
6.	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%

37. These KPIs are monitored and appropriate action will be taken as necessary under the contracts. Target percentages will be reviewed during the contract periods.
38. The table below identifies the risks associated with this contract procurement, the likelihood of occurrence and the controls in place to mitigate the risks.

R/N	Risk Identification	Likelihood	Risk Control
R1	Following contract award BCS and/or Lockesleys go into liquidation, administration or cease trading.	Low	The two separate contracts provide back-up facilities to each other. A retention to be held on all payments due for a 12 month defects period.
R2	Ineffective Mobilisation & Transition from Old to New Contract	Low	Mobilisation / demobilisation meetings and weekly site visits. Active operational risk management strategy. Contract management systems Scheduled mobilisation project management.

Other considerations (For Housing Department works contracts only)

Design Specification Compliance

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

Leasehold Implications

40. The work to be undertaken within these contracts is service chargeable within the terms of the lease and the element appertaining to testing and remedial works of the landlords electrical 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.
41. 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.

Community impact statement

42. BCS and Lockesleys provide employment and apprenticeship opportunities to the local community. The award of these contracts will secure existing jobs, particularly among those with dependents who currently enjoy the benefits of the contractors' flexible working policies, and will continue to provide local young people with the opportunities for additional apprenticeships in this high skill sector.
43. Workplace experience will also be offered to local schools. This will be organised by the engineering and compliance team.

Economic considerations

44. The full cost to the council and the life span of the contracts are set out in paragraphs 1 and 2 of this report.
45. BCS and Lockesleys have agreed to recruit one apprentice each for the initial three year term of the contract. The apprenticeships will be arranged jointly with the Southwark apprenticeship scheme and monitored by the engineering and compliance electrical manager. These apprenticeships will lead to a NVQ 3 qualification in electrical installation.

Social considerations

46. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, our contractors and sub-contractors pay staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report approved on 29 November 2012 confirms, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for these contracts offering enhanced quality of work from a motivated workforce and a lower staff turnover. Both BCS and Lockesleys have 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 of the contract review processes.
47. BCS and Lockesleys 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.

Environmental considerations

48. All components and equipment, being replaced, will be disposed of in accordance with the latest Waste Electrical and Electronic Equipment Regulations (WEEE).
49. All recyclable packaging will be set aside and disposed of via a recycling centre.
50. No hazardous materials will be used.
51. BCS and Lockesleys will be issued with the council's current asbestos register to avoid any risk of exposure to the contractor or the residents.

Market considerations

52. Both companies are based in London.

Staffing implications

53. There will be no impact on council staff caused as a consequence of implementing these contracts. Officers are already fulfilling the works ordering and monitoring roles of the current contracts and these functions will continue under the two new contracts.

54. These contracts will be managed by the engineering and compliance electrical manager and commercial manager from the engineering and compliance team.

Financial implications (FIN0823 – JP)

55. The Periodic Electrical Installation Testing and Remedial works will be funded through the fire safety works budget (£3m per annum) in Engineering and Compliance. Sufficient funds will be set aside from this budget for these works each year until 2018/19.
56. A portion of the costs will be recovered from leaseholders, dependent on the terms and conditions of the lease.

Investment implications

57. None.

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

58. Second stage appraisals were obtained on 7 July 2014. The results were:
- BCS rated below average risk.
 - Lockesleys rated very low risk.

Legal implications

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

Consultation

60. Consultation will be held through out the mobilisation period and TRA meetings.

Other implications or issues

61. None

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

62. This report is seeking approval for the award of two separate periodic electrical installation testing & remedial works contracts. One contract shall cover north of the borough and the other, south of the borough. It is intended that if required, the contractors will act as back up to each other using their own tendered rates.
63. The report confirms that the procurement strategy set out in the previously approved Gateway 1 report has been followed with a full restricted EU competitive process being undertaken.
64. The report describes the evaluation process that was carried out and confirms that tenders were evaluated using a weighted model to determine the most economically advantageous tender (MEAT). The report also confirms that the two top scoring tenders will each be awarded a contract and how the decision to allocate areas was undertaken.

65. The report sets out plans for the transition of the service and describes how the contract will be managed and monitored throughout the life of the contract.

Director of Legal Services

66. The director of legal services notes the contents of the report which seeks the approval of the strategic director of housing and community services to the award of two contracts:

- Contract A (north of the borough) Periodic Electrical Installation Testing and Remedial Works Contract to BCS (Electrical and Building) Ltd for an estimated sum of £650k per annum for a period of three years from 1 January 2015 with the option to extend by a further 1 year making a total estimated contract value of £2.6m as outlined in this report; and
- Contract B (south of the borough) Periodic Electrical Installation Testing and Remedial Works Contract to Lockesleys Ltd for the estimated sum of £575k per annum for a period of three years from 1 January 2015 with the option to extend by a further 1 year making a total estimated contract value of £2.3m as outlined in this report.

67. It is also noted that the contents of this report seeks the approval of the strategic director of housing and community services for BCS (Electrical and Building) Ltd and Lockesleys Ltd to act as back up contractor to each other on their own tendered rates when required.

68. Paragraph 7 notes that the services for each contract must be provided by different contractors. It is confirmed at paragraph 11 that should the need arise; there is provision in each contract to terminate the contracts.

69. Based on 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.

70. This report confirms that, as required by law, tenders were sought from contractors 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 these contracts.

71. 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 contractors that they have won the contracts and the award of the contracts to those contractors, so as to allow unsuccessful contractors the opportunity to challenge (if they decide to) the award of the contracts.

72. CSO 4.5.2 h) reserves the decision to the relevant chief officer to authorise the award of these contracts, after consideration by her relevant departmental contracts review board (DCRB) of this report.

73. 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 55 and 56 of this report confirm how the proposed contracts will be funded.

Strategic Director of Finance and Corporate Services

74. Not required.

Head of Specialist Housing Services (For Housing contracts only)

75. This contract is Qualifying Long Term Agreement under the terms of the Commonhold and Leasehold Reform Act 2002. It is expected that there will be charges in excess of £100 per annum for some leaseholders and therefore consultation is required under Section 20 of the Landlord and Tenant Act 1985. Notice of Intention was served under Schedule 2 of the regulations on 25th May 2013. Notice of Proposal was served on 16th April 2014. All observations were responded to and there were no issues raised that would affect the letting of the contract. The cost of work carried out under this contract will be recovered in the annual service charge.

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 *Gerri Scott* Date... *1.9.14*

Gerri Scott, Strategic Director of Housing and Community Services

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 report ('open') approved 29 November 2012	Engineering and Compliance 160 Tooley Street, SE1 2QH	Gavin Duncumb x50685

APPENDICES

No	Title
Appendix 1	Evaluation Methodology

AUDIT TRAIL

Lead Officer	David Lewis, Head of Maintenance and Compliance
Report Author	Gavin Duncumb, Commercial Manager
Version	Final
Dated	21 August 2014
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	Not Required	Not Required
Head of Specialist Housing Services	Yes	Yes
Cabinet	N/a	N/a
Date final report sent to Constitutional Team		21 August 2014