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|------------------------------------|--------------------------------|---|---------------------------------|
| <b>Item No.</b><br>22.             | <b>Classification:</b><br>Open | <b>Date:</b><br>13 March 2018   | <b>Meeting Name:</b><br>Cabinet |
| <b>Report title:</b>               |                                | Gateway 2 – Contract Award Approval<br>Communal Lighting and Electrical Testing Contracts -<br>Contract A: North of the Borough and Contract B: South<br>of the Borough |                                 |
| <b>Ward(s) or groups affected:</b> |                                | All   |                                 |
| <b>Cabinet Member:</b>             |                                | Councillor Stephanie Cryan, Deputy Leader and Cabinet<br>Member for Housing   |                                 |

## **FOREWORD – COUNCILLOR STEPHANIE CRYAN, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING**

Communal lighting and electrical testing has an essential role in deterring crime and making residents feel safe and secure in their neighbourhoods. When lights fail it is vital that they are repaired as quickly as possible to avoid inconvenience to residents and to ensure that their safety and security is not compromised. As a landlord the Council has a duty to maintain electrical systems to safeguard residents from the risks associated with electrical supply and fire.

A review has been undertaken of the performance of the Council's current contractors which has led to a revision of the contract scope to reflect market specialisation which in turn is expected to deliver improvements and to increase resident satisfaction. Since 2017, the Council has invested in the bar-coding of electrical assets which has helped to deliver market efficiencies and enabling the Council to direct resources more effectively and to contribute to improving performance. This in conjunction with continuing investment in LED lighting will help to enhance residents' wellbeing and satisfaction and will reduce the overall environmental impact through improved asset management.

Due to the scope of the work has been divided into two contracts – It is proposed to award the contract servicing the North of the Borough to BCS (Building and Electrical) Limited and to award contract B servicing the South of the Borough to Spokemead Maintenance Limited. It is expected that both of these new contracts will deliver enhanced services that our residents expect and deserve.

## **RECOMMENDATIONS**

That cabinet:

1. Approves the award of Contract A - Communal Lighting and Electrical Testing to BCS (Electrical and Building) Ltd for the estimated sum of £1.85m per annum for a period of 4 years from 2 July 2018 with the option to extend by a further 2 year period, making a total estimated value of £11.1m.
2. Approves the award of Contract B - Communal Lighting and Electrical Testing to Spokemead Maintenance Limited for the estimated sum of £1.53m per annum

for a period of 4 years from 2 July 2018 with the option to extend by a further 2 year period, making a total estimated value of £9.18m.

3. Notes that BCS (Electrical and Building) Ltd and Spokemead Maintenance Ltd will act as back up contractor to each other on their own tendered rates when required.

## **BACKGROUND INFORMATION**

4. The planned procurement strategy was the subject of a Gateway 1 report approved by the cabinet member for housing on 16 May 2016. The approved EU restrictive procedure procurement strategy was followed.
5. The scope of the work for the two new contracts are:
  - Communal lighting responsive repairs.
  - Repairs, remedial and upgrades to the landlord's electrical supply.
  - Periodic electrical testing of landlord's electrical installation
  - Emergency lighting tests and repairs.
  - Lightning protection tests and repairs.
  - Emergency call out service.
6. The two new contracts are based on a geographical split 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 services, with an estimated term for each contract of 4 years, with the option to extend each contract by a further 2 year period. The estimated annual value of both contracts stands at £3.38m for (Contract A £1.85m and for Contract B £1.53m). These values include a contingency of £300k for Contract A and £200k for Contract B. The contingency has been included to ensure that asset management team has the capacity to respond to major operational incidents and preclude extended loss of service to residents.
7. The total estimated value for both contracts stand at £20.3m broken down as follows:
  - Total cost for initial four year period = £13.5m
  - Total cost for additional two year period = £6.8m
8. The above contract values are composed of an estimated annual expenditure of £2.9m revenue and a contingency sum of £500k.
9. Currently, the council has one communal lighting and lightning protection contract which serves the whole of the borough and two periodic electrical testing and remedial works (PEITR) contracts A & B.

10. The table below details the contractors and the services that are currently delivered:

| Contract                                   | Contractor                            | Service delivered  | Area                 | Contract End Date |
|--|---------------------------------------|--|----------------------|-------------------|
| Communal Lighting and Lightning Protection | Spokemead Maintenance Ltd (Spokemead) | <ul style="list-style-type: none"> <li>• Communal lighting repairs and tests</li> <li>• Landlord electrical repairs</li> <li>• Lightning protection</li> </ul> | Borough wide         | 30 September 2018 |
| PEITR Contract A                           | BCS (Electrical & Building) Ltd (BCS) | <ul style="list-style-type: none"> <li>• Landlord periodic electrical testing</li> <li>• Remedial works</li> </ul>   | North of the borough | 31 December 2017  |
| PEITR Contract B                           | Lockesleys Ltd (Lockesleys)           | <ul style="list-style-type: none"> <li>• Landlord periodic electrical testing</li> <li>• Remedial works</li> </ul>   | South of the borough | 31 December 2017  |

11. A retrospective Gateway 3 report seeking an extension to the PEITR Contracts A&B will be presented in March 2018 to cover the interim until the new contracts commence.
12. The council will issue a 13 week early termination notice in respect of the communal lighting and lightning protection contract to Spokemead Maintenance Ltd following the approval to award these contracts.

#### Procurement project plan (Key Decision)

| Activity   | Completed by/Complete by: |
|--|---------------------------|
| Forward Plan (If Strategic Procurement) Gateway 2                                  | 01/01/2018                |
| Briefed relevant cabinet member (over £100k)                                       | 04/04/2016                |
| Approval of Gateway 1: Procurement Strategy Report                                 | 16/05/2016                |
| Issue Notice of Intention (Applies to Housing Section 20 Leaseholder Consultation) | 06/06/2016                |
| Invitation to tender   | 12/05/2017                |
| Closing date for return of tenders   | 14/06/2017                |
| Completion of evaluation of tenders (including post-tender clarifications)         | 20/11/2017                |
| Issue Notice of Proposal (Applies to Housing Section 20 Leaseholder Consultation)  | 22/01/2018                |
| DCRB Review Gateway 2:   | 05/02/2018                |
| CCRB Review Gateway 2:   | 08/02/2018                |
| CMT Review Gateway 2:(if applicable)   | 12/02/2018                |

| <b>Activity</b>   | <b>Completed by/Complete by:</b> |
|---|----------------------------------|
| Notification of forthcoming decision – despatch of Cabinet agenda papers                | 01/03/2018                       |
| Approval of Gateway 2: Contract Award Report  | 13/03/2018                       |
| End of Scrutiny Call-in period and notification of implementation of Gateway 2 decision | 21/03/2018                       |
| Alcatel Standstill Period (if applicable)   | 03/04/2018                       |
| Contract award  | 04/04/2018                       |
| Add to Contract Register  | 06/04/2018                       |
| TUPE Consultation period  | 29/06/2018                       |
| Contract start  | 02/07/2018                       |
| Publication of award notice in Official Journal of European (OJEU)                      | 06/04/2018                       |
| Publication of award notice on Contracts Finder   | 06/04/2018                       |
| Contract completion date  | 01/07/2022                       |
| Contract completion date – if extension(s) exercised                                    | 01/07/2024                       |

13. A number of post-tender clarifications were issued, which meant that it was not possible to adhere to the original timetable.

## **KEY ISSUES FOR CONSIDERATION**

### **Description of procurement outcomes**

14. These services will ensure that the council has arrangements in place to maintain a safe environment within the communal areas of its housing stock in relation to communal lighting, periodic electrical testing and lightning protection that comply with current legislation and council policy.

### **Policy implications**

15. The provision of a communal lighting, periodic electrical testing and lightning protection services 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**

16. Following the placement of the OJEU advertisement on 8 February 2017, the PAS91 Pre-Qualification Questionnaire (PQQ) documents and the Invitation to Tender (ITT) were uploaded to ProContract and Contracts Finder website for tenderers to view and download.
17. The PQQ contained the following criteria
- Section C1 – General Information (Information only)

- Section C2 – Financial and Insurance (Pass /Fail)
  - Section C3 - Mandatory and Discretionary Exclusions (Pass /Fail)
  - Section C4 – Health and Safety (Pass /Fail)
  - Section O1 – Equal Opportunities (Information only)
  - Section O2 – Environmental Management and Capability (Pass /Fail)
  - Section O3 – Quality Management and Capability (Information only)
  - Section S1 – Technical and Professional Capability contained 14 questions, 9 of which were technical questions and an additional 5 quality questions to designed to ensure applicants met the council's requirements and were fully evaluated.
18. A total of 22 companies returned completed PQQ submissions, as detailed in the tender report in appendix 2, by the required deadline of 1pm on 13 March 2017.
19. The PQQ set out that the top five highest ranked applicants would be invited to tender but reserved the right to invite any applicant should they obtain a score that was within 2% (10 points) of the fifth ranked applicant's score. Three companies were invited to tender for both contracts as they scored within 2% of the fifth ranked score.
20. The PQQs were evaluated by officers in the asset management team and housing finance.
21. The organisations shortlisted for the ITT stage for Contracts A and B were as follows;
- AJS Ltd
  - BCS (Electrical and Building) Ltd
  - Lockesleys Ltd
  - Mitie Property services (UK) Ltd
  - OCO Ltd
  - Smith and Byford Ltd
  - Southwark Council Asset Management Services (AMS)
  - Spokemead Maintenance Limited.
22. The shortlisted companies were invited to tender on 12 May 2017 with the instruction to return a completed tender by 14 June 2017.
23. The shortlisted companies were invited to tender for Contracts A and B and the top two (2) scoring tenderers to be awarded a contract. Contract B to be awarded first to the successful tenderer achieving the lowest price and Contract A to be awarded to the second top scoring tenderer.
24. One of the shortlisted organisations withdrew from the process in a message sent via Pro-Contract on 1 June 2016. No reason was given.
25. Seven tenders for Contracts A & B were returned via ProContract on or by 1pm on 14 June 2017 via e-portal system and were opened on 16 June 2017. These were then checked for compliance.

### **Tender evaluation**

26. 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%)    | Senior Quantity Surveyor   |
| Quality (30%)  | Procurement Manager, Procurement Officer and Electrical Technical Officers |

27. 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.
28. All tenders were initially checked for completeness and compliance with the ITT documents as set out in the Tender Evaluation Methodology (see appendices) before the price evaluation was carried out.
29. A price schedule 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.
30. Each annex contained a pre-priced schedule of rates and indicative quantities for each schedule based on historical data and the tenderers were required to put either a +/-% against each annex, including their hourly rate.
31. 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.
32. 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 spend will be demand led in accordance with the available budget. Tender prices submitted are as follows.

| Ref | Contractor                      | Tender Sum (£)* |
|-----|---------------------------------|-----------------|
| 1   | Spokemead Maintenance Ltd       | £1,240,965.18   |
| 2   | BCS (Electrical & Building) Ltd | £1,354,483.33   |
| 3   | Lockesleys Ltd                  | £1,404,480.01   |
| 4   | AJS Ltd                         | £1,476,735.02   |
| 5   | AMS                             | £1,761,996.79   |
| 6   | Smith and Byford Ltd            | £1,885,945.35   |
| 7   | OCO Ltd                         | £2,159,063.21   |

\* Note tender sum figures are for evaluation purposes only.

33. All priced documents submitted were checked for arithmetical errors and qualifications.
34. The quality assessment was based on the information received from tenderers in response to method statements covering mobilisation, service delivery, quality control and compliance and the London Living Wage.
35. Each member of the TEP independently assessed each method statement response in accordance with the scoring guidelines detailed in the Tender Evaluation Methodology. The TEP then checked the scoring for consistency and

agreed a consensus score. Final scores were calculated to ascertain the tenderer's overall score.

36. A summary of results from the quality evaluation is shown in the table below.

| ITT Quality Score Summary<br>0~5 Scores | Weighted Score Ranking | Method Statement 1: Resources |  | Method Statement 2: Service Delivery |                                 |   |                                    | Method Statement 3: Quality Control and Compliance |  | Method Statement 4: London Living Wage |   |
|---|------------------------|-------------------------------|--|--------------------------------------|---------------------------------|---|------------------------------------|--|--|--|---|
|   |                        | A. Resource for Mobilisation) | B. Contract Roles and Responsibilities | I. Communal lighting repairs         | II. Landlord electrical repairs | III. Periodic electrical testing and inspection of landlords, emergency lighting and lightning protection | IV. Emergency out of hours service | A. Quality and compliance during the Works         | B. Compliance on completion of the Works | A. Administer and Monitor              | B. Identification of Productivity Gains |
| AJS Ltd                                 | 7th                    | 3                             | 3                                      | 2                                    | 2                               | 2   | 3                                  | 3  | 2  | 4                                      | 4                                       |
| BCS Ltd                                 | 1st                    | 4                             | 4                                      | 4                                    | 3                               | 4   | 4                                  | 4  | 4  | 4                                      | 4                                       |
| Locksleys Ltd                           | 3rd                    | 3                             | 4                                      | 4                                    | 3                               | 4   | 4                                  | 4  | 3  | 4                                      | 4                                       |
| OCO Ltd                                 | 6th                    | 3                             | 3                                      | 3                                    | 3                               | 3   | 3                                  | 4  | 3  | 4                                      | 4                                       |
| Smith and Byford Ltd                    | 4th                    | 3                             | 3                                      | 3                                    | 3                               | 4   | 4                                  | 3  | 4  | 4                                      | 4                                       |
| AMS                                     | 5th                    | 4                             | 3                                      | 3                                    | 3                               | 4   | 3                                  | 4  | 3  | 4                                      | 4                                       |
| Spokemead                               | 2nd                    | 3                             | 4                                      | 3                                    | 4                               | 4   | 4                                  | 4  | 3  | 4                                      | 3                                       |

37. Tenderers had to meet or exceed a threshold of 2 for method statements two, three, and four across all the sub-criteria. All tenderers achieved this threshold.

38. The above 0-5 Scores resulted in the weighted scores shown below.

| <b>Criterion</b>                  | <b>Resources Method Statement 1 Maximum Score of 4</b> | <b>Service Delivery Method Statement 2 Maximum Score of 17</b> | <b>Quality Control and Compliance Method Statement 3 Maximum Score of 7</b> | <b>London Living Wage (LLW) Method Statement 4 Maximum Score of 2</b> | <b>Total</b> |
|-----------------------------------|--|--|---|---|--------------|
| BCS (Electrical and Building) Ltd | 3.2  | 12.8   | 5.6   | 1.6   | 23.2         |
| Spokemead Maintenance Limited     | 2.8  | 13.6   | 5   | 1.4   | 22.8         |
| LOCKESLEYS LTD                    | 2.8  | 12.8   | 5   | 1.6   | 22.2         |
| Smith and Byford Ltd              | 2.4  | 12   | 4.8   | 1.6   | 20.8         |
| AMS                               | 2.8  | 11.2   | 5   | 1.6   | 20.6         |
| OCO Ltd                           | 2.4  | 10.2   | 5   | 1.6   | 19.2         |
| AJS Ltd                           | 2.4  | 7.6  | 3.6   | 1.6   | 15.2         |

39. The table below shows the tenderers combined price and quality scores and identifies the first and second tenderers as the successful bidders for contract A and B respectively.

| <b>Tender Evaluation.</b>   |                           |                         |                    |                       |
|---|---------------------------|-------------------------|--------------------|-----------------------|
| SUMMARY OF TENDER SCORES FOR COMMUNAL LIGHTING AND ELECTRICAL TESTING WORKS |                           |                         |                    |                       |
| <b>Tenderer</b>   | <b>Quality Score 30 %</b> | <b>Price Score 70 %</b> | <b>Total Score</b> | <b>Position</b>       |
| Spokemead Limited   | 22.80%                    | 70.00%                  | <b>92.8%</b>       | <b>1<sup>st</sup></b> |
| BCS (Electrical and Building) Ltd   | 23.20%                    | 64.13%                  | <b>87.33%</b>      | <b>2<sup>nd</sup></b> |
| LOCKESLEYS Ltd  | 22.20%                    | 61.85%                  | <b>84.05%</b>      | <b>3<sup>rd</sup></b> |
| AJS Ltd   | 15.20%                    | 58.82%                  | <b>74.02%</b>      | <b>4<sup>th</sup></b> |
| AMS   | 20.60%                    | 49.30%                  | <b>69.9%</b>       | <b>5<sup>th</sup></b> |
| Smith and Byford Ltd  | 20.80%                    | 46.06%                  | <b>66.86%</b>      | <b>6<sup>th</sup></b> |
| OCO Ltd   | 19.20%                    | 40.23%                  | <b>59.43%</b>      | <b>7<sup>th</sup></b> |

40. Following the tender evaluation, further clarifications were requested of all the tenders on 7 November. These were to confirm how orders would be monitored for accuracy, use of sub contractors and to ensure there were no changes in the declarations of interest since the PQQ's was submitted. These were not scored and did not form part of the evaluation.

41. All of the tenderers provided responses by the deadline of 20 November 2017.



**Plans for the transition from the old to the new contract**

42. The council’s asset management team will develop an overall plan to manage and monitor this critical phase ensuring transition for the current service delivery under the three current contracts to the two new contracts are successful. The mobilisation plan will include;
- I-World transition with programmed closure of existing SOR’s and commencement of new SOR’s including briefing call-centre.
  - IT user set-ups and systems testing, and i-World training for contractor 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**

43. Contracts A and B will managed by the asset management team.
44. Key performance indicators will be set and challenged to ensure the successful contractors’ performance. In particular, targets will be set to ensure all emergency lighting, periodic testing and lightning protection inspections are completed within the statutory timescales.
45. The table below shows the Key Performance Indicators (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 0 and 1 Orders completed within the stipulated time periods.                       | 95%                         | 98%                                       |
| 3. | Percentage of Priority Code 2, 3 and 4 Orders completed within the stipulated time periods.                    | 95%                         | 98%                                       |
| 4. | Percentage of Planned Inspection and Testing Program On Time (Priority Code 5).                                | 95%                         | 98%                                       |
| 5  | Percentage of Orders for which a Recall Notice (Default Notice) has not been issued within the calendar month. | 98%                         | 99%                                       |
| 6  | Percentage of overbooking on Orders jointly inspected by Contractor and Contract Administrator                 | 95%                         | 96%                                       |

46. The asset management team will undertake audit site inspections to ensure that method statements are adhered to and repair and installation works are compliant and delivered to a high standard.

47. The asset management team will review all applications for payment and monitor and administer defaults and recovery of costs for poor performance.
48. Monthly progress meetings with the contractors and the asset management team, will be arranged and recorded to review performance and compliance.
49. Spokemead Limited and BCS (Electrical and Building) Ltd will be required to complete and return annual compliance checks to ensure that they comply with London Living Wage (LLW) payment undertakings, contractual insurance and professional certification. The commercial team shall carry out annual financial checks.
50. The asset management team will submit annual performance review reports to CCRB, and six monthly reports to DCRB.

**Identified risks for the new contract**

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

| <b>R/N</b> | <b>Risk</b>  | <b>Likelihood</b> | <b>Risk Control</b>  |
|------------|--|-------------------|--|
| R1         | Possible risk of challenge on award of these contracts                             | Low               | The procurement has been undertaken in accordance with the stated evaluation methodology that complies with the Public Contracts Regulations 2015.   |
| R2         | One or both of the contractors cease trading, or into liquidation / administration | Low               | The contracts contain the provision for both contractors to act as back-up for each other.<br>If both cease trading the Approved List of contractors will be used whilst re-procuring the contract(s) should this occur.<br>The financial stability of the organisations will be continuously monitored throughout the contract through the contract management process.<br>Mint credit checks were carried out as part of tendering process.<br>Retention will be held on all interim payments to mitigate against the risks involved of company failure by either contractor.<br>Spokemead Maintenance Ltd's parent company Bilby Plc will provide a Parent Company Guarantee. BCS (Electrical and Building) Ltd does not have a parent company. |
| R3         | Ineffective mobilisation   | Low               | Both contractors are established i-World Users and are incumbent contractors.<br>The engineering & compliance electrical service team will manage  |

| R/N | Risk  | Likelihood | Risk Control  |
|-----|---|------------|---|
|     |   |            | the mobilisation of the contracts with clear objectives defined at the outset.<br>The tender selection included a method statement covering mobilisation and both tenderers provided robust mobilisation plans.   |
| R4  | One or both of the contractors is unable to fulfil the requirements of the contract e.g. poor performance, leading to the need to terminate the contract. | Low        | 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.<br>The tender selection process reduces the likelihood of poor performance through the use of method statements to evaluate tenderers capacity to deliver. |

### Community impact statement

52. These contracts will support the council's commitment to providing quality affordable housing.
53. Both contracts will be of a medium impact to tenants, homeowners and other stakeholders as these services will require statutory inspections of landlord's electrical installations.

### Social value considerations

54. 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

55. The full cost to the council and the life span of each contract is set out in the paragraphs 1 and 2 of this report.
56. Each of the contractors will provide two week slots for one student per annum for local school work experience for administration work and one apprentice will be required for each contract area for the duration of the initial term of the contract period. The contractor will be required to work with the council to ensure local opportunities.
57. The council has requested the necessary information from BCS (Electrical and Building) Ltd and Spokemead Maintenance Ltd (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.

58. Both companies confirmed that they are aware and comply with the council's Equal Opportunity Policy and have provided their own policy documents as part of their PQQ submissions.

### **Social considerations**

59. Contractors will be required to demonstrate that they operate an Equal Opportunities Policy.
60. The council is an officially accredited London Living Wage (LLW) employer and is committed to ensuring that, where appropriate, our contractors and subcontractors pay staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report dated 16 May 2016 confirmed, for the reasons stated in the report, payment of LLW was an appropriate and best value requirement for the contracts. Both contractors have confirmed that they already exceed the LLW requirements. Following award, any associated quality improvements and cost implications linked to the payment of LLW will be monitored as part of the annual contract review process for each contract.
61. BCS (Electrical and Building) Ltd and Spokemead are expected to demonstrate compliance with the Modern Slavery Act and to monitor the activities of their subcontractors in relation to the act, and both have confirmed that they comply with section 54 ("Transparency in supply chains etc") of the Modern Slavery Act 2015 in their PQQ submissions.
62. Contractors are encouraged to register with and seek to secure accreditation through the TfL Fleet Operator Recognition Scheme (FORS). Spokemead is currently registered on the FORS register as a Bronze Single Operating Centre Accreditation (SOCA). BCS (Electrical and Building) Ltd is not currently registered with FORS.

### **Environmental/Sustainability considerations**

63. All disposals will be in accordance with the Waste Electrical and Electronic Equipment Directive (WEEE Directive).
64. The use of low emission vehicles and planning of journeys will be encouraged within the contracts.
65. LED lighting and smart lighting will be considered where appropriate to reduce energy costs and reduce CO2 emissions.
66. Both contractors have been issued with the Asbestos Register, and collaborate with the housing maintenance and compliance asbestos coordinator as required.

### **Market considerations**

67. Both companies are locally based small and medium sized enterprises (SMEs) with fewer than 50 employees, utilising local supply chains and providing employment for local residents.

### **Staffing implications**

68. There will be no impact on staff as the existing electrical/ lift contract management team are already performing the contract management functions. In recognition of some of the difficulties experienced with ordering and invoicing in this area of work, increased attention will be paid to these matters.

### **Financial implications**

69. These contracts are currently split by estate and emergency lighting and electrical testing, with budgets of £2.3m and £1.2m per annum respectively. There is currently no planned savings against these contracts.
70. The new contracts will provide a saving of £100k per annum and potentially a further saving if the contingency budget is not utilised. This saving will initially be redirected towards the other engineering contracts but may be subject to savings at a later date.

### **Second stage appraisal**

71. Second stage financial appraisals were obtained from Mint.co.uk for all tenderers on 22 January 2018. The PQQ stated that a Mint score of 40 or above was required in order to meet the minimum financial requirement. BCS (Electrical and Building) Ltd achieved a score of 58 and Spokemead Maintenance Limited achieved a score of 87.

### **Legal implications**

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

### **Consultation**

73. Consultation with residents will be held at the monthly Tenant and Resident Association meetings that address contract performance, planned works and other relevant matters.
74. Tenant Management Organisations will also be consulted throughout the mobilisation period where communal repairs are the responsibility of the council.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance and Governance**

75. The strategic director of finance and governance notes the recommendations in this report for the award of communal lighting and electrical testing contracts. These contracts will incur costs in financial years 2018-19 to 2021-22 and potentially beyond.

76. The costs of the contracts are met by the housing revenue account and are service chargeable under the terms of the leases. It is important that costs are carefully monitored to ensure that the relevant budgets are not exceeded.

### **Head of Procurement**

77. This report is seeking Cabinet approval for the award of two separate lighting and electrical testing contracts. one contract shall cover north of the borough and the other, south of the borough.
78. The procurement strategy set out in the previously approved Gateway 1 report has been followed with a full restricted EU competitive process being undertaken.
79. Paragraphs 16 – 41 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 providers scored highest on both quality and price.
80. Paragraphs 42 confirms the transition and mobilisation plan to ensure that the transfer of three contracts to two is successful.
81. Paragraphs 43 - 50 describe how the contract will be managed and monitored throughout the term of the contract, that in addition to the key performance targets site inspections will be routinely undertaken to ensure that method statement submitted as part of the tenders are adhered to. The report confirms that due to the value of these contracts annual performance reports will be submitted to the council's corporate contract review board (CCRB)

### **Director of Law and Democracy**

82. This report seeks the approval of cabinet to the award of two separate communal lighting and electrical testing contracts - Contract A for north of the borough to BCS (Electrical and Building) Ltd and Contract B for south of the borough to Spokemead Maintenance Ltd as further detailed in paragraphs 1 and 2. It is also noted that approval of cabinet is also sought for BCS (Electrical and Building) Ltd and Spokemead Maintenance Ltd to act as back up contractor to each other on their own tendered rates when required.
83. The nature and value of these services are such that they are subject to the tendering requirements of the Public Contract Regulations 2015 (EU regs). 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 be posted in OJEU within 30 days of the award of both contracts.
84. As these contracts are subject to the EU regs, there is a requirement to allow a standstill period of a minimum of 10 calendar days between notification of the successful companies that they have won the contracts and the award of the contracts to those companies, so as to allow unsuccessful companies the opportunity to challenge (if they decide to) the award of these contracts. It should be noted that there is provision in the current communal lighting contract to terminate early upon 13 weeks notice. It is the council's intention to issue an

early termination notice, when letters of award have been issued, to meet the July start date.

85. As these contract awards fall within the circumstances noted in contract standing orders (CSO) 6.5.2(a), the decision to approve these awards is reserved to the cabinet, after consideration of this report by the corporate contract review board. CSO 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 69-70 confirm the financial implications of these awards.

### Director of Exchequer

86. The door entry element of this contract is for work that is service chargeable under the terms of the leases. The contract is a qualifying long term agreement under the terms of the Commonhold and Leasehold Reform Act 2002 and consultation was undertaken under schedule 2 of the regulations. Notice of Intention was served in April 2017. Notice of Proposal was served on 22 January 2018 and the period for observations to be made ended on 28 February 2018. Six observations were received from leaseholders, mainly in regard to contract management. All observations have been given due regard and have received a substantive response. There were no observations received which would lead to a delay in letting the contract. Further details of the observations received and responses given are available from Homeownership Services.
87. The costs arising from the contract will usually form part of the annual service charges. Any individual orders made under the contract will be subject to further consultation where individual service charge contributions are in excess of £250.

### BACKGROUND DOCUMENTS

| Background documents   | Held At  | Contact  |
|--|--|--|
| Gateway 1: Procurement strategy – Communal Lighting and Electrical Testing Contracts - Contract A: North of the Borough and Contract B: South of the Borough   | Housing & modernisation, asset management<br>160 Tooley Street<br>London SE1 2QH | Gavin Duncumb.<br>Commercial<br>Manager<br>020 7525 0685 |
| <b>Link (copy and paste into your browser):</b><br><a href="http://moderngov.southwark.gov.uk/documents/s67301/Report%20Door%20entry%20and%20warden%20call%20contract.pdf">http://moderngov.southwark.gov.uk/documents/s67301/Report%20Door%20entry%20and%20warden%20call%20contract.pdf</a> |  |  |

### APPENDICES

| No         | Title   |
|------------|---|
| Appendix 1 | London Borough of Southwark Communal Lighting and Electrical Testing (Tender Documents )Section 6 Evaluation Information (incorporating the Evaluation Methodology and Quality Submission Schedule) |

## AUDIT TRAIL

|   |  |                          |
|---|--|--------------------------|
| <b>Cabinet Member</b>   | Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing |                          |
| <b>Lead Officer</b>   | Dave Markham, Director Asset Management                                  |                          |
| <b>Report Author</b>  | Rod Davies, Procurement Manager  |                          |
| <b>Version</b>  | Final  |                          |
| <b>Dated</b>  | 13 February 2018   |                          |
| <b>Key Decision?</b>  | Yes  |                          |
| <b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b> |  |                          |
| <b>Officer Title</b>  | <b>Comments Sought</b>   | <b>Comments included</b> |
| Strategic Director of Finance and Governance                            | Yes  | Yes                      |
| Head of Procurement   | Yes  | Yes                      |
| <b>Director of Law and Democracy</b>                                    | Yes  | Yes                      |
| Director of Exchequer   | Yes  | Yes                      |
| <b>Contract Review Boards</b>   |  |                          |
| Departmental Contract Review Board                                      | Yes  | Yes                      |
| Corporate Contract Review Board   | Yes  | Yes                      |
| <b>Cabinet Member</b>   | Yes  | Yes                      |
| <b>Date final report sent to Constitutional Team</b>                    |  | 1 March 2018             |