

Electrical Fire Safety: Large Blocks and Street Properties Contact Award and Update on Property and Asset Management Procurement Contract Approval	
Key Decision No. NH S072	
CABINET PROCUREMENT AND INSOURCING COMMITTEE MEETING DATE (2021/22) 11 April 2022	CLASSIFICATION: Choose out of the following 3 options:- Open with exempt appendices A, B & C If exempt, the reason will be listed in the main body of this report.
WARD(S) AFFECTED All Wards	
CABINET MEMBER Cllr McKenzie - Cabinet Member for Housing Services	
KEY DECISION Yes REASON Affects two or more wards and involves significant expenditure	
GROUP DIRECTOR Ajman Ali, Group Director for Neighbourhoods and Housing	

1. CABINET MEMBER'S INTRODUCTION

- 1.1 The Council is passionate about its housing stock, and committed to the aims and principles of social housing. It is both a privilege and a duty to repair and maintain the Council's homes and estates, where more than 30,000 tenants and leaseholders live and are their beating heart.
- 1.2 In 2019 we published a long term vision for our homes, in a new Housing Asset Management Strategy, and began work to procure new contracts to deliver that work, which would deliver on the ambitions of that document as well as the Council's wider objectives in making Hackney fairer, safer and more sustainable.
- 1.3 This procurement work has been unavoidably affected by the global coronavirus pandemic. While the ambitions remain, the Council has had to urgently respond to the risk of not having suitable contracts in place to maintain our homes to the required standard. This report recommends a decision to award new contracts to mitigate that risk. This will ensure that the Council can continue to maintain homes so they are safe, secure and decent.

2. GROUP DIRECTOR'S INTRODUCTION

- 2.1 The Council has faced an unprecedented challenge from the Covid-19 outbreak; while frontline staff have worked to support residents directly affected

by the pandemic, others have been working to ensure that we continue to fulfil our core responsibilities. An important responsibility is the maintenance of our housing stock; ensuring that residents remain safe and secure and our homes are decent.

- 2.2 This report summarises the reasons for awarding a contract for electrical fire safety works to large blocks and Street properties. The contracts will be for an initial term of five years with the option to extend up to a further five years.

3. RECOMMENDATION(S)

That Cabinet Procurement and Insourcing Committee approves the award of the following contracts:

Electrical Fire Safety:

- **Lot 1 - Large Blocks: Contractor 1 in Appendix A (Exempt) for a term of 5 years with an option to extend the contract for upto a further 5 years**
- **Lot 2 - Street Properties: Contractor 1 in Appendix A (Exempt) for a term of 5 years with an option to extend the contract for upto a further 5 years**

To note the update on the procurement of the framework for internal and external works.

4. RELATED DECISIONS

- 4.1 March 2019: Approval of the Housing Asset Management Strategy 2019-2027, by Cabinet on 25 March 2019. This provides an overarching framework for investment decision-making across the Council's homes and estates. It sets out the ambitions that Hackney has for the quality of its homes and the priorities that will be established to ensure that the limited available resources are directed at the greatest need. <http://mginternet.hackney.gov.uk/ieListDocuments.aspx?CId=111&MID=4332#A132478>

- 4.2 June 2019: Approval of the Business Case for Construction Contracts for Planned Capital Works to Hackney Council Housing, by Cabinet 11 June 2019. This provides the approach to be adopted to reprocure the planned capital works projects.

5. REASONS FOR DECISION/OPTIONS APPRAISAL

- 5.1 The proposed Electrical Fire Safety contracts are required to ensure that Hackney Council meets its statutory requirements as a landlord and ensures the safety of its residents. The contract will be able to ensure that all properties that require fire protection systems such as fire alarm systems, communal and

emergency lighting and automatic opening vents can either have these installed or upgraded. The contract will also enable the necessary servicing and testing as well as repairs to be undertaken.

- 5.2 The proposed approach to have two lots of work defined by building typology, namely; large blocks for lot 1 and street properties for lot 2. The rationale behind the split is that it enables similar type works to be packaged together to ensure that it best suits the market and thus ensures competitive submissions from tenderers.
- 5.3 Careful consideration has been given to the appropriate length of the contract. In reaching the conclusion thought was given to ensuring that Hackney could build a beneficial long term relationship with the successful bidders and the opportunity to ensure value for money as well as contain future procurement costs. As a result, the contracts are for an initial term of 5 years with an option to extend up to a further 5 years.

6. ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)

6.1 Option 1 - Procuring Works as part of Main Planned and Cyclical Works (rejected)

The option of procuring the necessary works through the main planned and cyclical framework was considered but this was discounted on the basis that it was important to engage directly with appropriate electrical contractors rather than undertaking the work through a main contractor with the need for Hackney to meet additional overheads and profits in respect of the main contractor.

6.2 Option 2- Procuring Works directly with Electrical Contractors (accepted)

This option involves going directly to the electrical contractors that have the necessary competence and experience to undertake the required works. This ensures that there is a reduced line of communication between Hackney's officers and the contractors staff as well as a more efficient contract. This option is the recommended approach.

7. PROJECT PROGRESS

- 7.1 The contracts are in 2 lots, namely; Lot 1 - Electrical Fire Safety - Large Blocks and Lot 2 - Electrical Fire Safety - Street Properties.
- 7.2 Lot 1 works include the provision of communal fire alarm systems , automatic opening ventilation(AOV) systems, installation of communal and emergency lighting , routine servicing and testing of such installations and related repairs. This is a five-year contract of up to £10m in total with the option to extend to 10 years.
- 7.3 Lot 2 works include the installation and repair works necessary to ensure that the council's sub-divided street properties have adequate provision of integrated fire alarms, emergency and communal lights and landlord's communal electrical supplies . The contract will also include routine servicing

and testing as well as repairs. This is also a five-year contract of £2-8m in total with the option to extend to 10 years.

7.4 Estimated maximum total value of both Lots, excluding VAT: £18,000,000

7.5 **Developments since the Business Case approval. NONE**

7.6 **Whole Life Costing/Budgets:** Funding is available for the work that would be undertaken through these contracts. The estimated value of the contract across the initial 5 year term is £18 million.

8. SAVINGS

8.1 The new contracts will ensure that Hackney is achieving the current market rates for the proposed works. There are no cashable savings arising from this contract but there may be cost avoidance savings resulting from planned preventative maintenance programmes leading to a reduction in reactive repairs.

9. RISK LOG

<u>Risk</u>	<u>Impact</u>	<u>Mitigation</u>
Poor Contractor Performance	Impact on residents and inability for Hackney to meet its statutory requirements	Careful due diligence during procurement and good contract administration once contractors are appointed.
Non-recovery of costs from leaseholders	Impact on HRA budget	Leasehold team ensuring that all necessary leasehold legislation is complied with.
Delays in mobilisation of contract	Impact on residents and inability for Hackney to meet its statutory requirements	Resources in place to ensure effective contract mobilisation.

10. SUSTAINABILITY ISSUES

Procuring Green

10.1 The bidders were asked to demonstrate during the ITT evaluation how they would support Hackney's commitment to achieving Net Zero Carbon 2040 and provide examples of how they had delivered this objective through their

previous clients. The winning responses form part of their contractual obligation to the Council. Responses had to include, at a minimum; Carbon reduction targets; the use of their Fleet for the delivery of this contract, Zero to landfill, Waste to energy recycling, Sustainable design and Construction.

10.2 KPIs will be monitored on a monthly basis and will form part of the monthly operational meeting agenda.

10.3 The provider's annual performance against these KPIs will also be used to grant potential extensions of the contract term as detailed in the KPI handbook in Part 1 item 2

10.4 Procuring for a Better Society

10.5 With such a similar scope of works this project would normally have been tendered as one project but, with a view to encouraging SMEs, the Board and officers decided to split the contract into two smaller parts. Namely: Large Blocks and Street properties.

10.6 Bidders were required as part of the tender process to pay the London Living wage .

10.7 An e-auction was conducted in respect of social value and the results are set out for the two winning bidders in Exempt Appendices B & C attached. KPI monitoring would be as above.

10.8 Procuring Fair Delivery

10.9 The bidders were asked to demonstrate during the ITT evaluation how they would support Hackney's diverse communities and backgrounds and ensure how their delivery of this contract will give consideration to the needs of Hackney's various community groups, vulnerable residents and people whose first language is not English, as well as their engagement and communication processes.

10.10 Equality Impact Assessment and Equality Issues:

10.11 The tender documents required the tenderers to set out their commitments with regards to this contract with particular reference to working with diverse communities.

10.12 The tenders were also required to confirm how they would induct and monitor their supply chain (where applicable) and demonstrate their commitment to adhere to the criteria set out under the Prompt Payment code.

10.13 The contract documents will include details on their commitment to resident engagement and customer care as well as their approach and method used to ensure their contract delivery will be tailored to Hackney's expectations through workshops designed to build solid working relationships with the client in partnership and where relevant, encourage the participation and input from resident representatives.

10.14 Note: There will be very little resident participation in this contract as its sole focus is on fire safety compliance as recommended by the Fire Risk Assessment (FRA) reports. Any likely participation would be centred around LED emergency lighting. For example where sensor lighting should be installed or not be installed due to religious reasons and maybe fitting type.

11. ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)

11.1 In-sourcing

11.2 The option of in-sourcing the design and works related to kitchen and bathrooms, fire safety systems to street properties and some planned communal electrical supply works was considered. However, this work would require a significant increase in the volume of capital works undertaken by the DLO, and it is unlikely that they would be able to scale up to deliver this work successfully in the short term. This is due to the additional specialisms and qualifications of operatives that are required for different work areas.

11.3 New areas of work will require time to ensure appropriately trained staff can be put in place, and to ensure that they can be offered on a cost-effective basis. Therefore the option to increase in-sourced capital workstreams at present was rejected, though it remains a longer term objective.

11.4 Framework or Term Contract.

11.5 Consideration was given to using framework contracts, term contracts or a mixture of both. Framework contracts allow the appointment of several contractors. However, they can only be let for four years. Term Contracts have the advantage of being up to 10 years long, but a single contractor is appointed. In areas where the volume of work was insufficient to have several contractors, term contracts were proposed.

11.6 One Off Procurements.

11.7 The use of one off procurement exercises for all projects was rejected as the significant amount of work in carrying out public procurement exercises meant that this would not offer value for money. It would lead to a wide variety of contractors making contract management more complex. One-off procurement exercises will therefore only be used for unusual items of specialist work which fall outside of the longer term contractual arrangements.

11.8 Design and Build or Traditional.

11.9 Another important characteristic considered was where design responsibilities lie. In Design and Build contracts, the contractor has the responsibility for design, whereas in traditional contracts they do not and usually the client appoints an architect or surveyor to carry out this function. This is highly skilled work, which requires a lot of staff resources, and includes applying for statutory consents (planning and building control), designing construction details, and often producing these quickly while works are on site. It requires accepting responsibility for design defects and any delays in producing details while on site, thus increasing the level of risk to the Council. However, it has the advantage of allowing a high degree of control over the works. Under design and build it is possible for the client to determine the scope of works, the specification and to sign off on the quality. The preferred option is to use design and build contracts.

12. TENDER EVALUATION

12.1 Evaluation:

12.2 In accordance with the strategy as set out in Section 3.1(i) of the Capital Works Procurement Strategy (NHP78), of 11th June 2019, a Find a Tender Notice, No. 2021/S 000-023375 was published on 20 September 2021. Pro-Contract Reference - DN569379. The notice set out that the Authority would be following the Restricted process as described by the Public Contracts Regulations 2015.

12.3 There were 48 companies who expressed a general interest in bidding for these two contracts. 29 of those companies did not respond or complete the Selection Questionnaire (SQ) but, on 21st October 2021, 19 Companies did complete and submit an (SQ). The names of the companies who applied are contained in an exempt Appendix A which is attached.

12.4 Quality comparison stage:

12.5 11 of the original 19 applicants, having passed the minimum standards qualification stage, were then scored for quality by an evaluation panel of 4 Authority officers. The officers held the following positions:

- Contracts Manager (Electrical Services) - Asset Management
- Electrical Services Manager - Asset Management
- Health & Safety & Risk Manager
- Senior Health & Safety Advisor

12.6 Quality Scores at SQ stage were as follows:

Lot 1 - SQ Ranked Quality Scores		
1	Applicant 1	68.70
2	Applicant 2	67.10
3	Applicant 3	66.50
4	Applicant 4	65.20
5	Applicant 5	60.20
6	Applicant 6	59.80
7	Applicant 7	57.10
8	Applicant 8	55.90
9	Applicant 9	48.20
10	Applicant 10	23.20

Lot 2 - SQ Ranked Quality Scores		
1	Applicant 1	68.20
2	Applicant 2	67.60
3	Applicant 3	65.30
4	Applicant 4	62.90
5	Applicant 5	62.60
6	Applicant 6	60.20
7	Applicant 7	57.50
8	Applicant 8	52.40
9	Applicant 9	46.90
10	Applicant 10	22.00

12.7 6 applicants from each Lot were taken through to tender (ITT) stage.

12.8 Tender Stage (ITT)

12.9 Evaluation Criteria had been set as: 60% Price and 40% Quality

12.10 6 bids were received for each of the Lots.

12.11 ITT Quality (40%)

12.12 After basic compliance tests had been carried out by procurement officers, the 12 quality submissions were evaluated by the following 7 Authority officers:

- Contracts Manager (Electrical Services) - Asset Management
- Electrical Services Manager - Asset Management
- Clerk of Works - Asset Management
- Energy and Sustainability Officer - Asset Management
- Client Liaison Manager - Asset Management
- Health & Safety & Risk Manager
- Senior Health & Safety Advisor

12.13 ITT Price (60%)

12.14 The pricing submissions were evaluated by a separate team from the quality evaluation team. Price was evaluated after the quality had been evaluated and moderated so that the team who evaluated the quality submission could not be aware of the prices submitted. Submitted prices were evaluated and checked by:

- Senior Procurement Category Manager - Construction
- Quantity Surveyor - Asset Management

12.15 Final scores for each of the two Lots are set out in Appendix A

12.16 **Recommendation:** Following a comprehensive and robust evaluation resulting in the scoring set out above it is recommended that Lot 1 and Lot 2 are awarded to the preferred bidders identified in Appendix A.

13. CONTRACT MANAGEMENT ARRANGEMENTS

13.1 Resources and Project Management (Roles and Responsibilities):

13.2 The Resources and Project Management (Roles and Responsibilities): Both Lot 1 and 2 of the Fire Safety Contracts will be managed by Anthony Childs, Electrical Service Manager along with the Electrical Clerk of Works (COW) officer Steve Busby. Denise Hill is the overall project manager for Term Alliance agreement and it the point of escalation should a matter arise that is unable to be resolved at the monthly operational meetings. Such matters are escalated in the Core Meeting

13.3 Officers are aware of the need to closely manage and monitor both contracts to ensure continuing compliance to the relevant regulatory standards and legislation in line with the FRA recommendations.

13.4 Robust specifications and SOR will be used to minimise client variation and also by using the technical skills, knowledge and expertise of the officers managing these works to ensure a good standard of contract management is applied at all times.

13.5 Performance is monitored through a set of KPIs with set targets. This review will take place at the monthly operational meeting and the results collected in accordance with the Contract's KPI handbook. An annual review of the KPI results will also take place at the Core meeting which will be used to decide whether an extension term, in the form of an extra year, will be granted to the appointed Provider.

13.6 Key Performance Indicators:

13.7 The KPIs are as follows:

Main KPI Targets Set
1. Customer Satisfaction – overall
2. Major Works - Client Handover Pass Rate
3. Time – Major Works completed in time
4. Recalls to Major Works Defects during the Defects Liability Period
5. Safety - Client H&S Inspections
6. Predictability Cost - Project Section
7. Time – Periodic Servicing and Inspection Programme
8. Early Warning Notices Resolution
9. Safety – Provider's accident record
10. Social Value
11. ITT Commitment 1
12. ITT Commitment 2
13. ITT Commitment 3

14. UPDATE ON PROPERTY AND ASSET MANAGEMENT FRAMEWORK FOR INTERNAL AND EXTERNAL WORKS

14.1 In 2019 it was planned to have separate agreements for internal and external works. Extensive market consultation has identified that there would be both cost efficiencies and less disruption to residents if the works were combined for internal and external works.

14.2 It is therefore planned to procure a framework agreement with two lots for a combined internal and external works split into small and larger works. There will be a panel of suppliers for each of the two lots.

14.3 This would encourage SMEs to bid, would avoid unnecessary subcontracting and would allow value for money to be obtained by allowing the right size company to deliver the works.

15. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

15.1 The contracts for the planned preventative maintenance programme investments provided for in the Asset management Strategy and the HRA Business Plan and therefore there is budget provision for these contracts. The quantity and value of the works will be managed within the overall budget envelope of the Housing Capital programme and will be reviewed annually.

15.2 The selected contractors both scored an acceptable mid-range quality score, and both were the best priced tenders. This demonstrates Value for Money in the contract award.

16. COMMENTS OF THE DIRECTOR, LEGAL, DEMOCRATIC & ELECTORAL SERVICES

16.1 On 11th June 2019 Cabinet Procurement Committee agreed the High Risk Business Case in respect of Construction Contracts for Planned Capital Works to Hackney Council Housing. The contracts in this Report were part of such Business Case and therefore this Contract Award Report is being presented to Cabinet Procurement and Insourcing Committee for approval.

16.2 Details of the procurement process undertaken by the Council are set out in this report.

17. COMMENTS OF THE PROCUREMENT CATEGORY LEAD

17.1 This procurement was above the thresholds set out in the Public Contract Regulations 2015 and as therefore advertised in Find a Tender and restricted procedure was followed.

17.2 An update has been made in respect of the internal and external works agreements and the new strategy will allow less disruption for residents. It is planned to go out to tender for these works in the Summer of 2022.

APPENDICES

Appendix A - Detailed scoring of Bidders (Exempt)

Appendix B - Lot 1 e-Auction Results (Exempt)

Appendix C - Lot 2 e-Auction Results (Exempt)

EXEMPT

By Virtue of Paragraph(s) 3 Part 1 of schedule 12A of the Local Government Act 1972 this report and/or appendix is exempt because it contains Information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

CONFIDENTIAL

The appendices are confidential as they contain commercially sensitive information.

BACKGROUND PAPERS

None

Update on Property and Asset Management Procurement

In order to enhance the understanding of the market, Hackney held a bidders day on 25 January 2022. The event was well attended by contractors and has provided valuable insight into the approach that should be taken in procuring the main planned and cyclical framework. Following this event an internal discussion has been decided to procure contracts that can undertake both internal and external works. This has the benefit that residents are likely to be impacted less by a single package of work rather than two separate packages. It should also reduce costs as works can be carried out more efficiently and as a result there should be savings in contractor's preliminaries.

It is now proposed to combine the packages to ensure that appointed contractors are able to undertake both internal and external works thus ensuring that works to the property stock can be dealt in a more holistic approach. The intention is to have a 4 year Framework with 2 lots, namely: a larger value lot (individual orders greater than £350K) and a smaller value lot (less than £350K). Lot 1 would have 3 larger main contractors, whilst Lot 2 would have up to 5 SME contractors.

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