

<b>TITLE OF REPORT</b> Communal Electrical Supply Contact Award <b>CONTRACT APPROVAL</b> <b>Key Decision No.</b> DN574031	
<b>CABINET PROCUREMENT AND INSOURCING COMMITTEE MEETING DATE (2021/22)</b>  13 June 2022	<b>CLASSIFICATION:</b>  Choose out of the following 3 options:-  Open with exempt appendices A & B  <b>If exempt, the reason will be listed in the main body of this report.</b>
<b>WARD(S) AFFECTED</b>  All Wards	
<b>CABINET MEMBER</b>  Cllr McKenzie - Lead Member for Housing	
<b>KEY DECISION</b>  Yes  <b>REASON</b>  Affects two or more Wards and involves significant expenditure	
<b>STRATEGIC DIRECTOR</b>  Steve Waddington - Strategic Director for Housing	

## 1. CABINET MEMBER'S INTRODUCTION

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. STRATEGIC DIRECTOR'S INTRODUCTION**

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.

This report summarises the reasons for awarding a contract for communal electrical supply works to Hackney's housing stock. The contracts will be for an initial term of five years with the option to extend up to a further five years.

## **3. RECOMMENDATION**

**Cabinet Procurement and Insourcing Committee is recommended to :**

**3.1 Approve the Award of the following contract for Communal Electrical Supply to Contractor 1 in Appendix A (Exempt) for a term of 5 years with an option to extend the contract for up to a further 5 years**

**3.2 Approve the award of contract to the named Contractor at value of £20-30M for an initial term of 5 years and a further £20-30M if the 5 years extension provision is effected.**

## **4. RELATED DECISIONS**

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>

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 reprocur the planned capital works projects.

## **5. REASONS FOR DECISION/OPTIONS APPRAISAL.**

- 5.1.1 The proposed Communal Electrical contract is required to ensure that Hackney Council meets its statutory requirements as a landlord and ensures the safety of its residents. The contract will enable Hackney to replace or upgrade its communal electrical system where necessary. The contract will also enable the necessary testing of communal electrical systems within the Borough.
- 5.1.2 The contract will cover all housing typologies although it will not be required for individual street properties that do not have communal systems.
- 5.1.3 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 contract is for an initial term of 5 years with an option to extend up to a further 5 years.

### **5.2 ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)**

#### 5.2.1 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.

#### 5.2.2 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.

## 6. PROJECT PROGRESS

This is a five-year contract of £20-30m in total with the option to extend to 10 years. This contract covers the following works and services:

Any replacement and upgrade works to the council's communal electrical supply systems are necessary to ensure that they are safe to use, reliable and in compliance with the relevant regulations and legislation.

Routine testing of such installations in accordance with relevant industry standards, and attending to any repairs arising.

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

**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 £20-30 million.

## SAVINGS

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.

## RISK LOG

<u>Risk</u>	<u>Likelihood</u>	<u>Impact</u>	<u>Overall</u>	<u>Mitigation</u>
	L- Low	M- Medium	H-High	

Poor Contractor Performance	M	M	M	Careful due diligence during procurement and good contract administration once contractors are appointed.
Non-recovery of costs from leaseholders	M	L	L	Leasehold team ensuring that all necessary leasehold legislation is complied with.
Delays in mobilisation of contract	L	M	L	Resources in place to ensure effective contract mobilisation.

## 7. SUSTAINABILITY ISSUES

### Procuring Green

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 successful bidder has submitted a range of carbon and waste reduction commitments and these will form part of the contract with Hackney. They will be regularly monitored through the KPI process.

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

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

### Procuring for a Better Society

The successful bidder has committed to pay all staff a minimum of the London Living wage and this will form a contract term.

An e-auction was conducted in respect of social value and the results are set out for the winning bidder in Exempt Appendix B attached.

KPI monitoring would be as above.

### **Procuring Fair Delivery**

The successful bidder has demonstrated 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.

### **Equality Impact Assessment and Equality Issues:**

The successful bidders have set out their commitments with regards to this contract with particular reference to working with diverse communities.

They have confirmed 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.

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.

Note: There will be very little resident participation in this contract as its sole focus is to ensure that all blocks with communal electrical supplies meet the requirements of BS7671 (IET Wiring Regulations) and capable of supplying all dwellings, and all communal area services e.g. lifts, door entry, lighting, etc) in a safe manner. This contract will also replace VIR installations as they are considered to be beyond their normal safe working life.

## **8. ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)**

### **In-sourcing**

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.

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.

### **Framework or Term Contract.**

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.

### **One Off Procurements.**

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.

### **Design and Build or Traditional.**

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.

## **9. TENDER EVALUATION**

### **Evaluation:**

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 000-029446 was published on 26 November 2021. Pro-Contract Reference - DN574031. The notice set out that the Authority would

be following the Restricted process as described by the Public Contracts Regulations 2015.

There were 38 companies who expressed a general interest in bidding for these two contracts. 30 of those companies did not respond, opted out or otherwise did not complete the Selection Questionnaire (SQ) but, on 6th January 2022, 8 Companies did complete and submit an (SQ). The names of the companies who applied are contained in an exempt Appendix A which is attached.

#### **Quality comparison stage:**

6 of the original 8 applicants, having passed the minimum standards qualification stage, were then scored for quality by an evaluation panel of 7 Authority officers. The officers held the following positions:

- Contracts Manager (Electrical Services) - Asset Management
- Electrical Services Manager - Asset Management
- Electrical Contract Manager Asset Management
- Health & Safety & Risk Manager
- Sustainability Officer
- Client Liaison Officer
- Senior Health & Safety Advisor

5 of the 6 applicants were then taken through to the tender (ITT) stage.

#### **Tender Stage (ITT)**

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

5 bids were received.

#### **ITT Quality (40%)**

After basic compliance tests had been carried out by procurement officers, the 5 quality submissions were evaluated by the following 7 Authority officers:

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

#### **ITT Price (60%)**

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

**Final scores are as set out below:**

<b>BASIC QUALITY - (Without Social Value) RANKED - OF 35%</b>		
1	Bidder 2	22.40
2	Bidder 3	21.00
3	Bidder 4	19.80
4	Bidder 1	19.50
5	Bidder 5	17.90

<b>SOCIAL VALUE SCORES - RANKED - OF 5%</b>		
1	Bidder 1	5.00
2	Bidder 3	2.34
3	Bidder 5	1.64
4	Bidder 4	0.80
5	Bidder 2	0.00

<b>TOTAL QUALITY - ITT Scores <u>With</u> Social Value - OF 40%</b>		
1	Bidder 1	24.50
2	Bidder 3	23.34
3	Bidder 2	22.40
4	Bidder 4	20.60
5	Bidder 5	19.54

<b>PRICE - T2 P1 - ITT Ranked Scores - OF 60%</b>		
1	Bidder 1	60.0000
2	Bidder 2	51.7236
3	Bidder 3	48.4719
4	Bidder 4	43.7711
5	Bidder 5	37.8548

<b>WINNER - COMMUNAL SUPPLY RANKED - OF 100%</b>		
1	Bidder 1	84.50
2	Bidder 2	74.12
3	Bidder 3	71.81
4	Bidder 4	64.37
5	Bidder 5	57.39

## **Recommendation:**

Following a comprehensive and robust evaluation resulting in the scoring set out above it is recommended that Contractor 1 in Appendix A is awarded the contract.

## **10. CONTRACT MANAGEMENT ARRANGEMENTS**

### **Resources and Project Management (Roles and Responsibilities):**

The Resources and Project Management (Roles and Responsibilities): the Communal Electrical Supply Contract will be managed by Robert McKenna, Electrical Service Manager along with the Electrical Clerk of Works (COW) officer Paul Bywaters. 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.

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.

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.

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.

### **Key Performance Indicators:**

The KPIs are as follows:

<b>Main KPI Targets Set</b>
<b>1.</b> Customer Satisfaction – overall Target yrs 1&2 75% then 85%
<b>2.</b> Major Works - Client Handover Pass Rate Yrs 1&2 80% then 90%
<b>3.</b> Time – Major Works completed in time Yrs1&2 110% then 105%
<b>4.</b> Recalls to Major Works Defects during the Defects Liability Period Year 1 &2 75% then 100%
<b>5.</b> Safety - Client H&S Inspections Yrs 1&2 85% then 90%
<b>6.</b> Predictability Cost - Project Section Yrs 1&2 105% then 100%
<b>7.</b> Time – Periodic Servicing and Inspection Programme Yrs 1 &2 85% then 100%
<b>8.</b> Early Warning Notices Resolution Yrs1&2 75% then 100%

9.Safety – Provider’s accident record Max 200 per 100,000
10.Social Value Yrs 1& 2 90% then 100%

## **11. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

The contracts Communal Electrical Supply is provided for in the Asset management Strategy and the HRA Business Plan and therefore there is budget provision for this contract. 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.

The selected contractors both scored the highest on both the quality score and priced scores. This demonstrates Value for Money in the contract award is supported.

## **12. COMMENTS OF THE DIRECTOR, LEGAL, DEMOCRATIC & ELECTORAL SERVICES**

12.1 The works in this Report were assessed as High Risk by the Council. On 11th June 2019 Cabinet Procurement Committee agreed a Business Case in respect of the procurement strategy for Construction Contracts for Planned Capital Works to Hackney Council Housing. The works contracts proposed for award 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 in accordance with paragraph 2.7.10 of Contract Standing Orders.

12.2 Details of the procurement process undertaken by the Council are set out in this Report.

## **13. COMMENTS OF THE PROCUREMENT CATEGORY LEAD**

Officers have complied with all regulatory requirements governing the commissioning of these works at this spend threshold. The tender exercise has been transparent, fair, equal and non discriminatory.

The tender exercise was carried out in accordance with Public Contracts Regulations 2015 and Public Procurement (Amendments) Regulations 2020. Prior to this exercise a business case, PRIMAS, RAT were approved. In tendering Social Value was assured and KPI’s measures incorporated. All in-tender and evaluation clarification questions have been closed out. Leaseholder consultation is not a requirement of this commission.

The recommended contractor is assessed as meeting all necessary requirements to deliver these works.

## APPENDICES

**Appendix A - Detailed scoring of Bidders (Exempt)**  
**Appendix B - 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

**In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required**

### Description of document (or None)

None

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