



Report of the Executive Member for Housing and Development

Executive	Date: 4 January 2018	Ward(s): All
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THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

SUBJECT: Communal heating fully inclusive maintenance contract with responsive repairs including out of hours' cover

1. Synopsis

- 1.1. This report seeks approval for the contract award in respect of the borough wide communal heating fully inclusive maintenance contract with responsive repairs and out of hours cover.
- 1.2. The proposed contract is to renew the borough wide communal heating and ventilation maintenance contract. The contract is to include responsive repairs and out of hours cover to all of Islington's housing stock which is served by communal heating and communal ventilation plant.
- 1.3. The Executive at its meeting on 26 February 2015 approved the procurement strategy for this contract.

2. Recommendations

- 2.1. To approve the contract award for the Communal heating fully inclusive maintenance contract to Mitie Property Services (UK) LTD for an initial period of five (5) years with an option to extend for two further periods of 3 years and 2 years respectively, accounting for a total maximum period of 10 years.

3. Background

- 3.1.** Islington Council's existing partnering contract for communal mechanical services (heating, ventilation and water) is approaching expiry. It was agreed for the current 'open book' partnering contract to be replaced with a 'comprehensive fully inclusive' maintenance contract for planned maintenance work with a schedule of rates for all responsive repair work.
- 3.2.** The requirement is for a 'comprehensive fully inclusive contract' to help improve the contract financial predictability and the overall service provided to residents. Data was collected from the existing contract to enable preparation of a detailed specification of the mechanical equipment to be maintained in order to prolong the condition and life expectancy of the equipment. This provided transparency to the tendering contractors so that the council could receive tenders for the proposed contract that were both accurate and competitive. The contract has allowed for the asset database to be regularly updated by the contractor however, the council will maintain ownership of the database using the existing IT system. This approach is included to further improve awareness of equipment condition and the risks associated with items excluded from maintenance programmes. It will also provide greater control of the assets for which the council are responsible for.
- 3.3.** The appointed contractor is expected to provide an extremely high quality service at the council's properties and for residents in living in those properties. This includes satisfactorily completing orders within the specified time periods, good customer liaison, efficient and accurate paperwork, prompt submission of accounts and responding immediately to any complaints received.
- 3.4.** This contract is aimed at dealing with both service, maintenance and responsive repairs i.e. day to day minor repairs that need to be dealt with. The following is included in the contract
- Work to communal services (gas, heating, water and ventilation), dwellings, garages, open spaces and other assets that form the communal services.
 - Work to areas that contain communal heating and ventilation equipment and services which include leaseholder properties.
 - Vandalism, malicious damage or the negligence of the occupant of the property.
 - Insurance claims.

It is not intended to cover:

- Wholesale renewal of components or elements of properties in a planned and systematic way. (The Contractor may however undertake such work as single elements on an ad-hoc basis)
- 3.5.** The new comprehensive contract expenditure will be of a similar nature to the existing contract (the existing contract currently attracts £1.5 million of expenditure per annum). However, the approach of this contract is to be proactively endorsing value for money, mitigate risk, simplify management, making the contract audit-friendly and clearly defining response time aimed to reduce complaints from residents and meet residents' expectation levels. This more transparent approach will benefit key stakeholders, including councillors, residents and council staff.

- 3.6.** TUPE Transfer of Undertakings (Protection of Employment) Regulations applies to this contract.
- 3.7.** The contract period for this fully inclusive maintenance contract agreement will run for sixty (60) months from an estimated start date 1 April 2018 with an option to extend at the end of this term for a further thirty-six (36) months. At the end of this term there will be another option to extend by an additional twenty-four (24) months. The total contract duration will therefore be a maximum of one hundred and twenty (120) months. Any extensions are subject to satisfactory performance and future support requirements.
- 3.8.** This contract was advertised to the wider market as a services contract. A contract notice was published in OJEU, and the procurement was conducted via the London Tenders Portal. The contract was advertised with an estimated value of £1.5 million per year and £15 million over a 10-year period.
- 3.9.** The contract has been procured using the Restricted Procedure. The Restricted Procedure means the procurement process was conducted in two stages. The first stage involved selecting a maximum of six of the highest-scoring organisations through a selection questionnaire (SQ). Ten organisations submitted SQs but only five met the minimum requirements and were invited to tender.

The second stage was the evaluation of tenders submitted by the bidders who were selected at the SQ stage. All submissions were subject to minimum requirements outlined within the tender documentation.

- 3.10.** The award criteria for this contract is based upon the most economically advantageous tender (MEAT) in accordance with the Public Contracts Regulations. MEAT for this contract is 60% for quality and 40% for cost.

Tender Award Criteria	
Cost	40%
Quality – made up of	60%
Proposed approach to service delivery	20%
Proposed approach to communication	20%
Proposed approach to record keeping and asset management	20%
Total	100%

- 3.11.** Five organisations were invited to tender, but only two organisations submitted tenders. Please see Appendix A, for the detailed evaluation results.
- 3.12.** The panel completed its evaluation of the tender responses. Mitie Property Services (UK) LTD was found to be the most economically advantageous with the highest combined score for quality and cost.

The successful tender return value for the planned maintenance part of the contract is £326,177.12 per annum with a one off cost of £54,362.86 to identify any requirements to replace plant prior to commencement of the contract resulting in a total cost of £380,539.98. This excludes all costs relating to reactive repairs. All reactive repairs will be subject to a 12.5% contract uplift. Using this uplift and the average out turn responsive repair costs from the existing contract, a value of approximately £843,750.00 per annum could be expected. This would result in a total contract value of approximately £1.224m per annum for this contract.

- 3.13.** A requirement for the payment of London Living Wage (LLW) has been included as a condition of this contract as there was no cross border interest in the contract following OJEU notice.

Benchmarking has been carried out by the commissioning officer which confirmed that our present providers pay is above the national average and therefore it is expected that there will be no additional financial implications regarding LLW.

4. Implications

4.1. Financial implications:

The most economically advantages tender for communal heating servicing and repairs was provided by Mitie and totals £1.224m per annum (based on a fixed servicing and inspection cost of £380k per annum and an estimated base schedule of rate repair cost of £750k + 12.5%). This contract can be contained within the existing communal heating repairs budget.

4.2. Legal Implications:

The council has an obligation to keep its communally heating installations for the supply of heating and hot water to its housing estates in repair and in good working order (Part 2 of the Housing Act 1985; section 11 of the Landlord and Tenant Act 1985; tenancy conditions and 'right to buy' lease). Accordingly, the council has power to procure and enter into a communal heating maintenance and responsive repairs contract as to ensure that the council meets its contractual and statutory repair and maintenance obligations (section 1 of the Local Government (Contracts) Act 1997).

The contract that has been procured is a public services contract for purposes of the Public Contracts Regulations 2015. The threshold for service contracts for full application of the Public Contracts Regulations 2015 is currently £164,176.00 The value of this contract is above this threshold. It therefore needs to be advertised in the Official Journal of the European Union (OJEU). The council's Procurement Rules require contracts over the value of £500,000 to be subject to competitive tender. In compliance with the requirements of the Regulations and the council's Procurement Rules a competitive tendering procedure with advertisement in OJEU has been used.

Bids were subject to evaluation in accordance with the tender evaluation model. Mitie Property Services (UK) LTD gained the highest evaluation score and may therefore be awarded the contract. In deciding whether to award the contract to the recommended contractor the Executive should be satisfied as to the competence of the contractor to perform the contract and that the tender price represents value for money for the Council. In considering the recommendations in this report the Executive must take into account the information contained in the exempt appendix to the report.

4.3. Environmental Implications

Islington Council is committed to creating a borough that is a fairer place for all who live and work here. Islington Council ensure that they enhance and improve the local environment in-line with the overarching priority of fairness. Islington Council work with residents, business and their partners across the borough to minimise the harmful effects on the environment and aim for a better quality of life by taking residents out of fuel

poverty both now and for generations to come. This policy applies to all activities undertaken by Islington Council. Islington Council comply with all applicable legal and other requirements, and will integrate environmental management throughout the departments.

An environmental impact assessment on this proposal was completed on the 19 October 2016. The findings were that Mechanical Building Services works of this type shall generally have a long-term positive environmental impact, as energy consumption and associated carbon emissions of the communal systems will reduce over the life of the contract, as improvements to plant are gradually implemented. Risks that were identified have been mitigated in the following way:

- The use of various material will reflect the needs and requirement of the contract which would be expected under contract requirements.
- Limited waste will be generated. There will be a contract requirement for all waste resulting from the contract to be disposed of in a manner which meets current regulations.
- The product/service may result in the use / storage, or disposal of chemicals or hazardous materials. The contractor will be required to identify strategy to manage waste disposal and chemical storage to meet current regulation requirements

5. Resident Impact Assessment:

5.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

5.2. A resident impact assessment on this proposal was completed on the 23 March 2015 the findings were that Mechanical Building Services works of this type shall have no negative impact on individual building users' characteristics.

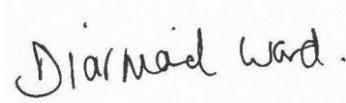
6. Reasons for the decision:

Following a competitive tendering exercise, Mitie Property Services (UK) LTD has submitted the most economically advantageous tender (MEAT) based on the highest combined quality and cost score. This report therefore recommends that the contract for the borough wide communal heating fully inclusive maintenance with responsive repairs including 'out of hours' cover is awarded to Mitie Property Services (UK) LTD.

Appendices: Exempt Appendix A

Background papers: None

Signed by:

A handwritten signature in black ink that reads "Diarmuid Ward." The signature is written in a cursive style and is contained within a light grey rectangular box.

Executive Member for Housing and Development

Date 15 January 2017

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