



## Key Decision Report of the Corporate Director of Housing

<b>Officer Key Decision</b>	<b>Date:</b> 30 April 2019	<b>Wards:</b> All
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<b>Delete as appropriate</b>	Exempt	Non-exempt
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### **SUBJECT: Procurement Strategy for Electrical Repairs and Maintenance including Out of Hours Cover**

#### **1. Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of Electrical Repairs and Maintenance including Out of Hours Cover in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2 This contract is for the delivery of electrical repairs to Islington Council's residential properties including communal areas. It will include domestic electrical repairs, electrical testing where required, low energy extractor fan repair, and installation of communal and estate lighting.

#### **2. Recommendation**

- 2.1 To approve the procurement strategy for Electrical Repairs and Maintenance including Out of Hours Cover as outlined in this report.

#### **3. Date the decision is to be taken**

30 April 2019.

#### **4. Background**

- 4.1 The council intends to procure a maximum of two contractors to deliver electrical repairs and maintenance including out of hours cover to Islington Council's residential properties including communal areas. The contractors will rotate every six months between the north and south areas of the borough, in order for leaseholders to have the opportunity to get equitable pricing.

The council provides responsive repairs services to approximately 29,000 properties. This contract will provide additional support to the in-house Housing Repairs Service during busier 'peak' times. There is a continued need for additional support as the service is demand led and therefore subject to fluctuations in workloads. This contract will cover electrical related repairs including domestic electrical repairs to switches, sockets, light fittings, etc. It will also include repairs to communal and estate lighting including electrical intakes. The current contract ends on 28 February 2020.

- 4.2 The estimated aggregate value of this contract is £1,840,000 (£460,000 per annum), based on a contract term of 48 months in total, with an initial term of 24 months followed by two possible extensions of up to 12 months each (24 + 12 + 12 months). This value is based on historical electrical repairs data and expenditure. In addition, these values factor in the planned return of Private Finance Initiative (PFI) properties to the Council anticipated to be in 2022. There are no guaranteed volumes of work, as the work is demand led.

This contract will be funded from an existing allocated budget, set aside within the repairs and maintenance overall budget, which is funded from the Housing Revenue Account (HRA). Leaseholders will be recharged where applicable.

- 4.3 The current contract expires on 28 February 2020 and it is essential that the new contract is in place on 1 March 2020 for continuity of service. The council intends to advertise the first stage (Selection Questionnaire) in June 2019. The second stage (Invitation to Tender) will be advertised in August 2019, with an estimated contract award in December 2019. The contract start will be 1 March 2020.

As a landlord, the council is obliged to consult with all leaseholders who are affected by the works (Landlord and Tenant Act 1985 and the Consultation Regulations). This consultation will allow the council to recover relevant service charges from leaseholders. A two stage "Section 20" consultation will take place with leaseholders as part of this procurement. The first consultation (notice of intention) will take place upon approval of this procurement strategy and the second consultation will take place at award stage (notification of proposal) within the procurement process.

The procurement process will be undertaken in compliance with the Public Contracts Regulations 2015 and the council's Procurement Rules.

A formal procurement project plan will be finalised following the approval of this strategy, however an indicative timetable is included in the table in 4.9 of this report.

- 4.4 As part of this procurement strategy a competitive tender process solely for Islington and the option of insourcing have been considered. An external framework and collaboration with neighbouring authorities were options, however these were not suitable at this time.

Insourcing for the whole of the electrical works would allow the Council to have full control over the services delivered, however would not be practical, as the in-house repairs team needs a back-up resource to deal with fluctuations in varying workloads.

An external framework was an option and would have been the quickest route to market. However, S20 consultation would present difficulties with this option, also the schedule of rates

within available frameworks that were reviewed as options for this contract, are not fit for purpose and do not meet Islington's specific requirements.

Collaboration with neighbouring authorities is not an option at present. This is because neighbouring local authorities service delivery models are different to Islington's, such as Homes for Haringey being an Arm's Length Management Organisation (ALMO) and Camden has a service delivery model that significantly differs from Islington's. The differences in the service delivery including time scales for delivering repairs, how the repairs are managed and the IT systems used for repair delivery, would be an extensive project to undertake and require significant funding and time.

The proposed option is to procure using a competitive tender process solely for Islington, as this can deliver the best value overall whilst meeting the service needs. The contract pricing, specification and terms and conditions can be tailored specifically for Islington's requirements. Two contractors will be procured for the whole contract, using the two-stage restricted procedure. The evaluation process and award criteria are explained in greater detail in section 4.6.

- 4.5 There will be key social value clauses within the contract terms including work experience placements, job shadowing and training opportunities. The Housing Repairs Team is currently working with the council's IWork team to explore ways contractors may be able to deliver additional social value, aimed at improving job opportunities for local residents, especially those who are disadvantaged in the labour market.

Contractors will also be expected to contribute to the in-house repairs training programmes for residents by donating tools and equipment and/or provide their appropriately skilled staff to assist with delivery of the training.

London Living Wage will be included as a condition of these contracts where there is no cross border interest. However, the current market pays above London Living Wage for Electrical Engineers.

Staff from the existing contractor delivering this contract will be subject to TUPE regulations as part of this procurement.

- 4.6 This tender will be conducted in two stages, known as the Restricted Procedure as the tender is 'restricted' to a limited number of organisations. The first stage is Selection Criteria through a Selection Questionnaire (SQ) which establishes whether an organisation meets the financial requirements, is competent and capable and has the necessary resources to carry out the contract. The SQ is backwards looking and explores how the organisation has performed to date, its financial standing, information about their history and experience.

A limited or 'restricted' number of these organisations meeting the SQ requirements as specified in the advertisement are then invited to tender (ITT). The second stage is the ITT which is forwards-looking using Award Criteria. Tenders are evaluated on the basis of the tenderers' price and ability to deliver the contract works or services as set out in the award criteria in order to determine the most economically advantageous offer.

The contract will be awarded to the Most Economically Advantageous Tender (MEAT) and the award criteria will be set at 60% cost and 40% quality. This will enable Islington to acquire a contractor that delivers best value overall.

The cost criteria will consist of the bidder's percentage discount/uplift against the National Housing Federation (NHF) Schedule of Rates (SORs) and the bidder's pricing based on a set of Bespoke SORs.

The quality criteria will consist of:

- Proposed approach to managing the delivery of services according to contractual priorities with appropriate resourcing 10%
- Proposed approach to ensuring value for money, with consideration to both cost and quality of work delivered 10%
- Proposed approach to customer service (including managing the customers' expectations), equality and social value including reducing carbon footprint and promoting opportunities for Islington residents 10%
- Proposed approach to health and safety in the work environment including compliance with current legislation 10%.

4.7 Islington Council has a duty to provide electrical repairs and keep switches and sockets etc. in good working order as part of The Secure Tenants of Local Housing Authorities (Right-to-Repair) Regulations 1994. Failure to do this, due to a break in delivering the service, would result in the council not complying with the regulations and potentially liable to pay compensation.

Residents are reliant on the council to keep their homes in a good state of repair. Failure by the council to meet its repair obligations could impact adversely on residents, particularly due to the health and safety implications of the nature of the work involved, and this also carries a reputational risk for the council. Leaseholders pay service charges for relevant repairs and expect that they will be carried out effectively. These risks can be mitigated by ensuring this contract is procured within the given timescales to deliver the necessary service.

There is a risk the contractors cannot meet volumes of work. This risk is managed by clear requirements set out within the specification and rigorous assessment at ITT stage. The appointment of two contractors means that they will act as a back up to each other.

The key risks associated with this procurement are:

Risk	Likelihood	Impact	Priority	Mitigation
Procurement is unsuccessful with no suitable supplier tendering or being identified	Low	High	Medium	Interim emergency measures will be sought and plans to re-procure put in place
The successful tenderer pulls out of the contract prior to start of the contract	Low	High	Medium	Interim emergency measures will be sought and plans to re-procure put in place
Delays to the procurement process result in limited mobilisation time for new supplier/s	Medium	High	Medium	A project plan is in place and the project team need to ensure agreed key milestones are met.

The opportunities identified are:

- Not guaranteeing volumes of works allows flexibility to increase volumes of in-house work if practicable.
- Tenants and Leaseholders are more likely to receive a seamless service and value for money with a procurement timetable planned in advance.

4.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

4.9 The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

<b>Relevant information</b>	<b>Information/section in report</b>
1 Nature of the service	This contract is for the delivery of electrical repairs to Islington Council residential properties and communal areas.  See paragraph 4.1
2 Estimated value	The estimated value per year is £460,000.  The agreement is proposed to run for a period of 24 months, with an optional extension of two periods of up to 12 months each. See paragraph 4.2
3 Timetable	SQ – June 2019 ITT – August 2019 Contract Award – December 2019 Contract Start – 1 March 2020  See paragraph 4.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	A competitive tender process has been selected.  See paragraph 4.4
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	London Living Wage and social value clauses will be included as part of the contract terms. TUPE will apply.  See paragraph 4.5

6 Award criteria	Award criteria cost 60% and quality 40%. The award criteria price/quality breakdown is more particularly described within the report.  See paragraph 4.6
7 Any business risks associated with entering the contract	See paragraph 4.7
8 Any other relevant financial, legal or other considerations.	See paragraph 4.8

## 5. Implications

### 5.1 Financial implications

The Electrical Repairs and Maintenance to Housing properties and communal areas is funded by the Council's Housing Repairs Budget (£32.93m in 2019/20) of which £3.52m is allocated to fund subcontractors spend.

It is anticipated that the current budget provision will continue to be available for the foreseeable future. The cost for the contract will therefore be contained within the current and future years' budget provisions without causing additional pressure to the Council.

### 5.2 Legal Implications

The council is responsible for undertaking the repair, maintenance and improvement of its housing properties and installations therein (Part 2 of the Housing Act 1985 and section 111 of the Local Government Act 1972). The Council has power to enter into contracts with suppliers of electrical repair and maintenance services under section 1 of the Local Government (Contracts) Act 1997.

The proposed contract is a contract for electrical repair and maintenance services which are classified as 'services' for purposes of the Public Contracts Regulations 2015 (the Regulations). The total estimated value of this contract is £1,840,000.00 The threshold for application of the Regulations is currently £181,302.00 for service contracts. Contracts above this threshold need to be procured in full compliance with the requirements of the Regulations including advertisement in the Official Journal of the European Union. The council's Procurement Rules also require service contracts over the value of £181,302 to be subject to a formal competitive tender process. The proposed procurement strategy, to advertise a call for competition and procure the contract using a competitive tender process, is in compliance with the requirements of the Regulations and the council's Procurement Rules.

On completion of the procurement process the contract may be awarded to the highest scoring tenderer subject to the tender providing value for money for the council.

The contract is for a period in excess of 12 months and therefore will be qualifying long term agreements under section 20 of the Landlord and Tenant Act 1985. Accordingly the council will need to comply with the leaseholder consultation requirements applicable to long term qualifying agreements set out in the Service Charges (Consultation Requirements) (England) Regulations 2003 (as amended).

### 5.3 **Environmental Implications**

Environmental implications from this contract include material use, waste generation and CO2 emissions and congestion from vehicle use, as well as energy use from the items repaired or new parts installed as part of the repairs process.

Where possible, the Contractor should use recycled or sustainably produced materials and also those that consume less power in operation. They should ensure that waste materials are kept to a minimum and that waste leaving sites is reused or recycled where practicable. The Contractor will have a duty of care to ensure that any waste disposal is done legally and in alignment with the waste hierarchy. They should also optimise travel routes to minimise number of journeys taken and be encouraged to use low or zero emission vehicles.

Islington Council is committed to reducing Carbon Footprint. Section 106 Carbon Offset funding has been provided for the period of May 2018 to May 2019, for the installation of LED bathroom light fittings and estate lighting upgrades. LED bathroom light fittings are being installed which are long lasting, energy efficient and cost effective for residents. The council is currently investigating extending this S106 Carbon Offset funding beyond May 2019.

Smart lighting in communal areas and estate lighting is being trialled and will continue to be rolled out over the next few years, funding permitting. This includes the use of daylight and motion sensors that can change the light operations between dim and bright according to daylight conditions and people walking past. The smart lighting installations can also be monitored online which includes usage information, cost and savings.

Repairs and Maintenance will continue maintain these installations and will be fitting LED bathroom and kitchen fittings long term, where replacements are required following a repair. LED lights are also used in some communal and estate lights. Low carbon kitchen and bathroom extractor fans are fitted where replacements are required, again for energy efficiency and cost reduction for the residents.

### 5.4 **Resident Impact Assessment**

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.

A Resident Impact Assessment was completed on 27 March 2019 and the summary is included below. The complete Resident Impact Assessment is attached as Appendix 1.

This procurement will not have any negative impact on any persons within the protected characteristics groups. Diversity and equality are considered during the procurement process. Potential service providers will be asked a scored question during the procurement process about how they assess and manage electrical repairs for customers with any of the equalities characteristics. It is a contractual requirement for service providers to work to Islington Council's policies and procedures, where equality, diversity and an accessible service for all is factored into service delivery procedures.

## **6. Reasons for the decision**

6.1 The Council has a duty to keep electrical wiring and accessories in safe working order. The current contract will expire on 28 February. The procurement of a new contract is required to ensure continuous provision of domestic electrical and estate lighting repairs support for the in-house repairs team.

## **7. Record of the decision:**

7.1 I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

### **Signed by:**

Corporate Director of Housing

Date:

### **Appendices**

Appendix 1 - Resident Impact Assessment

**Background papers:** None

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