



Report of: Executive Member for Housing and Development

Meeting of:	Date:	Wards:
Executive	17 October 2019	All

Delete as appropriate	Exempt	Non-exempt
-----------------------	--------	------------

THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

SUBJECT: Procurement Strategy for Electrical Testing, Servicing, and Associated Remedial Works

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of Cyclical Electrical Testing, Servicing and Associated Remedial Works in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2 This contract is for the delivery of Electrical Cyclical Testing and Servicing of Mechanical and Electrical (M&E) Assets. The service will include electrical testing, servicing, and emergency remedial works, including maintenance works and required upgrades to residential properties and communal buildings and estates.

2. Recommendations

- 2.1 To approve the procurement strategy for Electrical Testing, Servicing and Associated Remedial Works, as outlined within this report.
- 2.2 The Executive will be asked to delegate the key decision of the award of the contract to the Corporate Director of Housing, in consultation with the Executive Member for Housing and Development.

3. Background

- 3.1 Islington Council has a duty of care to carry out electrical, testing, servicing and repair work under the recommendation and guidance of the 18th edition, IET Wiring Regulations: (BS7671:2018) to residential properties and communal buildings; such as community centres, concierge and reception centres. This is to ensure the safety of our residents and visitors.

The council provides an electrical testing and maintenance service to approximately 21,000 properties, 12 concierge buildings, 47 community centres and 3 reception centres. This contract provides an electrical testing and servicing programme to support the in-house Mechanical and Electrical (M&E) Service. The current contract ends on 29th October 2020, with no available extensions.

This contract will cover electrical inspections and testing to residential properties and communal buildings and estates. The successful contractor will also be expected to undertake remedial works and upgrades to the existing installations and to coordinate tenant appointments and access arrangements to carry out these works.

- 3.2 The estimated aggregate value of this contract is £9,000,000.00 (£1,800,000.00 per annum) The initial contract term will be 36 months, with an option to extend for 24 months, up to a total possible contract term of 60 months (36+24 months). A review of expenditure has shown an increased spend in this area of service and this is reflected in the new contract value and budget. In addition, these values factor in new regulations relating to fuse boards and domestic fire detectors and anticipated associated costs to be introduced throughout the life of the contract, as well as the planned return of approximately 4,500 Private Finance Initiative (PFI) properties, of which approximately 3,500 units will be subject to electrical testing, to the Council in 2022.

This contract will be funded from the Housing Revenue Account (HRA). Leaseholders will be recharged where applicable.

- 3.3 As the 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 mean that the council will be able 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 prior to the contract opportunity being advertised, the second consultation will take place at award stage (notification of proposal).

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.

- 3.4 As part of this procurement strategy four options were considered;

- Insourcing
- Using an external framework
- A collaborative procurement process with a neighbouring borough(s)
- A procurement process solely for Islington.

Insourcing was considered, however assessment of the labour market has suggested that there would be severe challenges to recruiting suitably-skilled staff. Qualified electricians are currently in demand and charging a market premium. Additional IT systems, vehicles, tools and equipment would need to be sourced and existing staff will require training to ensure that all aspects of electrical services can be delivered and allow equal opportunities for development. Please see the attached exempt Appendix 1.

The planned return of over 4,000 PFI properties is the primary focus for insourcing at this time, as this significantly increases the amount of housing stock requiring electrical testing.

It is suggested that for this five year cycle the service is outsourced to allow for the intake of PFI stock and to increase the number of electrical apprenticeships in preparation for potential insourcing in five years.

Using an external framework would have been the quickest route to market, however S20 consultation would present difficulties with this option, also the external frameworks looked at did not fully cover the scope of Islington's requirements.

Collaboration with neighbouring authorities is not an option at present, as 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 service delivery including timescales for delivering a cyclical programme of works, how repairs are managed and the IT system used for delivery of this service, would be an extensive project to undertake and require significant funding and time. Islington Council is undertaking work to look at future opportunities, capacity and skills for insourcing services. This will look at opportunities as a single borough, as well as with neighbouring boroughs.

The proposed option is to procure through a competitive tender process using the Restricted Procedure, as this can deliver the best value overall whilst meeting the service needs. This process means that the pricing, specification and terms and conditions can be specifically tailored to meet Islington's needs. The council intends to appoint a single contractor for the whole contract to ensure continuity of service delivery, using the two-stage restricted procedure. Electrical testing is carried out on a five (5) year programme and procuring a contract for this period of time will allow the return of the PFI properties to be fully integrated, any implications of the return to be fully known and insourcing to be comprehensively investigated and setup, if it is deemed feasible.

- 3.5 The social value offers of contractors will form a significant proportion of the tender evaluation. This offer will be a contractual obligation for the successful provider. Their performance will be monitored at regular contract meetings and will be a consideration in any decision on contract extension. Expectations will include apprenticeships, work experience placements, job shadowing and training opportunities for residents. These will be arranged with the Council's iWork team and will focus on job opportunities for local residents, especially those who are disadvantaged in the labour market. Other social value contributions may include resources given to residential improvements such as community centre redecorations, green space overhauls such as mini allotments and other small projects to improve residential areas within the borough. Contractors will also be expected to contribute to in-house repairs training programmes for residents by donating tools and equipment and/or providing appropriately-skilled staff to assist with delivery of the training.

London Living Wage will be included as a condition of the contract where possible. However, the current market pays above London Living Wage for electrical engineers.

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

- 3.6 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 council intends to advertise the first stage of Selection Questionnaire (SQ) in January 2020. The second stage, Invitation to Tender (ITT) will be published in March 2020, with an estimated contract award in July 2020. The contract start date will be 1st November 2020.

The council is intending to procure one contractor to deliver electrical testing, servicing and associated remedial works.

The contract will be awarded to the Most Economically Advantageous Tender (MEAT) and the award criteria will be set at 40% cost, 40% quality and 20% social value. 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 social value and promoting opportunities for Islington residents, including reducing carbon footprint 20%
- 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 customer expectations) and equality 10%
- Proposed approach to health and safety in the work environment including compliance with current legislation 10%.

- 3.7 Islington Council is required to provide electrical testing and servicing to domestic properties and communal buildings. This includes installation and maintenance of smoke detectors to residential properties and planned improvement works/upgrades to residential communal buildings, 12 reception centres and 44 concierge buildings.

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 testing, servicing and repairs to communal building and expect that works 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 contractor cannot meet volumes of work. This risk is managed by clear requirements set out within the specification and rigorous assessment at ITT stage.

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	High	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	High	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	Medium	Medium	High	A project plan is in place and the project team are to ensure agreed key milestones are met.

The opportunities identified are:

- As this contract is designed to support the in-house Mechanical and Electrical Service, this would relieve the pressure on internal resources to allow flexibility in the volumes of works and increase the quality of service provided.
- Tenants and Leaseholders are more likely to receive a seamless service and value for money with a procurement timetable planned in advance.
- Due to the contract value apprenticeships for Islington Residents will form part of this contract.

3.8 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.

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

3.10

Relevant information	Information/section in report
1 Nature of the service	This contract is for the delivery of electrical testing, servicing and emergency repair works (with the provision of planned works) See paragraph 3.1
2 Estimated value	The estimated value per year is £1,800,000.00 The agreement is proposed to run for a period of 36 months, with an optional extension of up to 24 months. See paragraph 3.2
3 Timetable	SQ – January 2020 ITT – March 2020 Contract Award – July 2020 Contract Start 1 November 2020 See paragraph 3.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	A competitive tender process has been selected. See paragraph 3.4
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 3.5
6 Award criteria	Award criteria cost 40%, quality 40% and social value 20%. The award criteria price/quality breakdown is more particularly described within the report. See paragraph 3.6
7 Any business risks associated with entering the contract	See paragraph 3.7
8 Any other relevant financial, legal or other considerations.	See paragraph 3.8

4. Implications

4.1 Financial implications

The estimated value (£1.8m pa) of the contract consists of three parts

1. £1.2m to cover electrical testing and maintenance service to 21,000 existing dwelling and communal units
2. £230k to cover 4,000 additional units in anticipation of the planned return of PFI2 properties in 2022.
3. £370k to cover upgrade work due to new regulations relating to fuse boards and domestic fire detectors

The cost of providing this service is funded from the Housing Repairs budget (£32.9m in 2019/20). The 2019/20 budget allocation for part 1 of this contract is £1.16m. Currently, there is no budget allocation for part 2 but it is expected that additional resources will be made available to reflect the increase in property numbers. The cost for part 3 will be funded by the Planned Work budget. The current allocation is £500k.

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 future budget provisions without causing additional pressure to the Council.

4.2 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) as well as its communal buildings such as community centres, concierge and reception centres (section 111 of the Local Government Act 1972). Associated with this is the council's duty to ensure that electrical testing, servicing and repair work is carried out in compliance with the guidance and standards as established by IET Wiring Regulations: BS7671 (2018), 18th edition. The Council has power to enter into contracts with suppliers of electrical cyclical testing and related maintenance services under section 1 of the Local Government (Contracts) Act 1997.

The Executive may provide Corporate Directors with responsibility to award contracts with a value over £2 million using revenue money and over £5 million using capital money (council's Procurement Rule 16.2).

The proposed contract is a contract for electrical testing and associated 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 £9,000,000.00. 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 £181,302.00 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).

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

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 testing or new parts installed as part of the remedial works 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.

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.

Where any remedial works are required following electrical testing, the domestic and communal LED light fittings will be maintained or upgraded to LED fittings if they are not already in situ.

4.4 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 8th July 2019 and the summary is included below. The complete Resident Impact Assessment is appended.

It is anticipated that the delivery of this service will not have any negative impact on any persons within the protected characteristics groups living or visiting council homes and estates. The delivery of the contract will have a positive impact on all residents including those with protected characteristics as it is designed to ensure that electrical installations within all council residential properties and estates are maintained in a good condition and are safe. Diversity and equality are considered during the procurement process. Potential service providers will be asked a scored question(s) during the procurement process about how they will manage the Electrical Testing, Servicing and Associated Remedial Works service for residents with any of

the protected 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.

5. Reason for recommendations

5.1 The Council has a duty of care to carry out electrical testing and servicing to residential properties, communal buildings and estates. This is to ensure the safety of electrical installations within the borough of Islington.

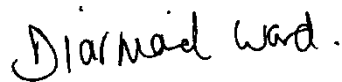
Appendices

- Resident Impact Assessment
- Appendix 1 (Exempt)

Background papers: None

Final report clearance:

Signed by:



Councillor Diarmaid Ward
Executive Member for Housing and
Development

Date 26/09/2019

Report Author: Sophia Lall
Tel: 020 7527 4337
Email: Sophia.Lall@islington.gov.uk

Financial Implications Author: Ricky Chan
Tel: 020 7527 6940
Email: Chi.Chan@islington.gov.uk

Legal Implications Author: Ramani Chelliah
Tel: 020 7527 3084
Email: Ramani.Chelliah@islington.gov.uk