

Report of: Executive Member for Housing & Development

Meeting of:	Date:	Ward(s):
Executive	25 November 2021	All

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



SUBJECT: Procurement Strategy for out-of-hours drainage works, in-hours backup support for repairs team and all drainage excavation repairs (including collapsed pipes)

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of out-of-hours drainage works, in-hours backup support for the repairs team and all drainage excavation repairs (including collapsed pipes) in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2 This strategy is to deliver all out-of-hours drainage repairs and in-hours backup support for the repairs team. The contract will also include all drainage excavations and the repair of collapsed pipes.

2. Recommendations

- 2.1 To approve the procurement strategy for out-of-hours drainage works, in-hours backup support for the repairs team and all drainage excavation repairs (including collapsed pipes) as outlined in this report.

- 2.2. To delegate authority to award the contract to the the Corporate Director of Homes and Neighbourhoods, in consultation with the Executive Member for Housing and Development, following completion of the tender process.

3. Background

3.1 Nature of the service

The in-house drainage team consists of six operatives and provides most standard in-hours drainage repair work, for example, jet washing to clear blocked drainage pipes. Currently, the in-house drainage team is supported through a contract, which is due to expire.

In addition to the standard drainage repair work, some drainage repairs are specialist, for example, remote inspection and repair of collapsed drains, drain lining, and excavation to repair communal drainage pipework. The in-house repairs team cannot facilitate this work due to its specialist nature and not having access to the skills to use the type of specialist equipment required to complete this more technical work.

The drainage related workload is weather dependent and characterised by peaks and troughs. Due to the end of PFI 2, approx. 4000 additional properties will come back in-house in April 2022, so the workload and fluctuation will likely increase further.

Therefore, a contractor with the necessary equipment and expert knowledge is required to carry out the specialist work, provide the out-of-hours repairs, and support the in-house team during busy periods and seasonal spikes.

3.2 Estimated Value

The estimated aggregate value of this contract is £4,608,000 (£512,000 per year) based on a maximum contract term of one hundred and eight (108) months. The initial term will be 36 months, with the option to extend for a further three (3) periods of up to 24 months each. Any extensions will be subject to satisfactory performance.

The estimated value is based on the contract spend, and it factors in the planned return of PFI2 properties to the council in 2022.

The spend on the current contract was £430,835 in the last 30 months. In order to account for the seasonal peaks that occur with drainage and to provide a contingency, the annual cost is estimated to be £175,000.

The annual value for the drainage excavation is £303,000.

There were only two years of PFI2 drainage data available but considering the new contract will mainly cover out-of-hours repairs, the estimated budget is £34,000.

The total estimated annual value for this contract is £512,000.

This contract will be funded using an existing budget for drainage repairs and excavation from the Housing Revenue Account (HRA). There is not likely to be any financial savings that can be made within this contract, as the market is not very competitive and the number of companies

providing the specialist excavation works and equipment is limited. In addition, the existing infrastructure is old, and some unpredictable challenges are possible when the PFI2 stock, which includes some old Victorian properties, comes back in-house.

However, the new price framework will include a fixed schedule of rates elements for items or repairs that are likely to occur regularly, enabling quicker and more accurate spend forecasting. In addition, we will work with the contractor, who might have some new and more advanced equipment, to reduce the cost and increase residents' awareness, so the misuse of the drainage system is minimised.

A budget reduction during the contract term would delay the drainage repairs, potentially leading to flooding or back surging of waste and/or foul water into residential properties. This could lead to property damage, negative impact on residents' health and the council's reputation.

3.3 **Timetable**

The timetable for this procurement is:

Approval of Procurement Strategy	25 November 2021
Open tender published	January 2022
Contract award	May 2022
Contract start	August 2022

The council will consult with leaseholders in accordance with the Landlord and Tenant Act.

3.4 **Options appraisal**

The preferred procurement route is a competitive open tender procedure.

The required works are clearly defined, with specific outcomes, and a competitive tender will provide the council with the opportunity to evaluate the best value for money. Based on the current market knowledge and a limited number of companies offering the required service, it is anticipated that only a small number of organisations will respond. Before publication, the market will be engaged to stimulate competition. Furthermore, an open tender is 'open' to all organisations who express interest, and it tends to generate a higher response rate. Therefore, an open tender is most likely to be successful.

A Framework Agreement is the quickest route to market. Therefore, a number of frameworks relating to constructions were investigated, but none offers the required services.

Collaboration allows for financial savings. However, this is dependent on all parties having similar service requirements and delivery models. The differences in service delivery between neighbouring boroughs (including timescales for delivery and how the works are managed and IT systems used) would require significant funding and time to resolve, which makes collaboration not possible at this time.

The existing in-house repairs team delivers a large proportion of the day-to-day drainage repairs for council residents in Islington. However, some drainage works that, due to their specialist nature and equipment required, cannot cost-effectively be fulfilled in-house. Expanding the team and in-sourcing the works would give the council full control over the

service delivery, but this would require significant upskilling of the in-house repairs team and the purchase of specialist equipment. In addition, drainage works are characterised by periods of peaks and troughs and external input is only required when the demand for the service is high. Expansion of the existing in-house team is not the preferred option, as an additional workforce would not be utilised outside of the peak periods.

3.5 **Key Considerations**

Proposals for social value will be evaluated by using the National Themes, Outcomes and Measures (TOMs) Framework. Additional weighting will be put on measures relating to the 'outcome' "More local people in employment" to encourage providers to focus on this area in their offer for delivering social value. The contract will require that the successful tenderer provides apprenticeship opportunities for the local residents as a minimum requirement. Additional social value contributions may include work placements, job shadowing, work experience and training opportunities for residents. The delivery of social value will be achieved with the support of the Council's iWork team and in conjunction with the Employment Team. It will focus on opportunities for local residents, especially those who are disadvantaged in the labour market.

Additional weighting may also be put on the 'theme' "Supporting Growth of Responsible Regional Business" to promote the contractors to commit to the use of local suppliers where possible. Such commitment will increase local economic growth and help with local employment opportunities. It will also lower the carbon footprint by reducing unnecessary vehicle journeys and offer overall contract efficiencies such as attending site quicker and timeliness of work execution.

A higher weighting may also be put on the 'theme' "Environment: Decarbonising and Safeguarding our World" supporting the council's commitment to reducing CO2 emissions and air pollution within the borough, and the use of sustainably sourced materials and energy-saving parts.

London Living Wage will be included as a condition of the contract.

There may be TUPE implications resulting from this contract.

3.6 **Evaluation**

The tender will be conducted in one stage competitive procedure, known as the Open Tender, as it is 'open' to all organisations who express an interest. The Open Tender includes minimum requirements, which organisations must meet before their bid is evaluated.

The contract will be awarded to the Most Economically Advantageous Tender (MEAT), and the award criteria will be set at 40% price and 60% quality, of which 20% will be social value. The social value will be evaluated by using the National TOMs Framework.

The price criteria (40%) will be assessed by evaluating the submitted financial offers within the pricing schedules returned.

The quality criteria will be assessed by evaluating the following:

- Proposed approach to social value, including reducing carbon footprint and promoting opportunities for local residents (20%)
- Proposed approach to managing the delivery of service (20%)
- Proposed approach to communication and customer service (10%)
- Proposed approach to quality assurance and health and safety (10%)

3.7 Business Risks

Islington Council has a duty to ensure residents have a fresh, mains water drinking supply and properties are free of blockages and/or leaks to foul drains, soil stacks and toilets, as part of The Secure Tenants of Local Housing Authorities (Right-to-Repair) Regulations 1994. Failure to carry out repairs for 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 rely on the council to deliver repairs to keep their homes in a good state of repair. Failure by the council to meet its obligations could adversely impact residents, mainly due to the health and safety implications of the nature of the work involved. This also carries a reputational risk for the council. Leaseholders pay service charges for appropriate repairs and expect they will be carried out effectively. These risks can be mitigated by ensuring this contract is procured within the given timescales.

There is a risk the contractors cannot meet volumes of work. This risk is managed by precise requirements set out within the specification and rigorous assessment at the method statement stage within the tender.

The key risks associated with this procurement are:

Risk	Likelihood	Impact	Priority	Mitigation
Procurement is unsuccessful with no suitable supplier tendering.	Medium	High	Medium	An Open tender will be used to stimulate the response rate. Interim emergency measures will be sought, and a plan to re-procure put in place.
Delays to the procurement process resulting in postponing the mobilisation of a new supplier.	Medium	High	Medium	A project plan is in place, and the Project Procurement team will ensure the key milestones are met.
The successful tenderer pulls out of the contract before the start of the contract.	Low	High	Medium	Interim emergency measures will be sought, and a plan to re-procure put in place.

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:

Relevant information	Information/section in report
1 Nature of the service	The council is intending to procure one supplier to deliver a borough-wide drainage related repairs and excavations contract. See paragraph 3.1
2 Estimated value	The estimated value per year is £ 512,000. The agreement is proposed to run for a period of thirty six (36) months with an optional three (3) extensions of twenty four (24) months. See paragraph 3.2
3 Timetable	Advert – January 2022 Award – May 2022 Mobilisation – June-July 2022 Contract Start – August 2022 See paragraph 3.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	Open Tender 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 benefit clauses will be included as part of the contract terms. Best value is considered as part of the specification, award criteria and delivery of the service. There may be TUPE implications. See paragraph 3.5
6 Award criteria	40% price and 60% quality, of which 20% will be social value. 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 4.1 - 1.4

4. Implications

4.1 Financial implications:

This contract is estimated to cost £512k per annum. This is comprised of £478k for existing stock and £34k for returning PF12 properties.

Currently, there is no budget allocation for PF12, but provision to fund for these properties has been made in the latest 30-year HRA business plan (updated Sep 2020). PF12 properties are still new within Repairs, so finance will monitor these closely to understand the true impact it will have to the budget.

The cost of providing this service for existing stock (£478k) is funded from the Housing Repairs Subcontractor budget (£3.3m in 2021/22).

This budget is used to fund all responsive repairs subcontractors. In recent years, the subcontractor budget has experienced increased pressures. This has resulted in overspends to the subcontractor budget, which was managed within the overall context of Housing Repairs & Maintenance. It is expected that any future subcontractor pressure will be managed in the same way.

There is a risk that current level of underspends in other areas of Repairs cannot be maintained in the future. If this cannot be sustained, then any pressures may result in the use of HRA reserves. Finance will monitor this closely and will alert management should any pressure arise.

4.2 Legal Implications:

The council has power to enter into a contract for the carrying out of drainage and ancillary services under section 1 of the Local Government (Contracts) Act 1997.

The estimated value of the proposed contract exceeds the financial threshold for public services contracts for the full application of the Public Contracts Regulations 2015. Contracts above this threshold must be procured with advertisement in Find A Tender and with full compliance of the Regulations.

The council's Procurement Rules also require contracts of this value to be subject to competitive tender.

The proposed procurement strategy to advertise a call for competition and procure the service using the open tender process is in compliance with the principles underpinning 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 Executive may delegate the decision on the award of the contract to the Corporate Director of Homes and Neighbourhoods, in consultation with the Executive Member for Housing and Development (Paragraph 8.1, Part 3 Constitution).

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

Carrying out drainage repair work has several environmental impacts. The nature of the service means that sufficient quantities of water need to be used to carry out the drainage works successfully. Noise and dust will be generated when accessing drainage pipes and when blockages are removed. The works might require the use of chemicals and groundwork materials which may damage biodiversity if used incorrectly. The energy for the plant and equipment used on-site might be powered by fossil fuels. In addition, the contractor will be using vehicles to arrive at and deliver materials to sites, which will contribute to congestion and air pollution (unless electric vehicles are used).

Provision will be made within the contract specification and contractor selection criteria to mitigate the impact for each of the above, concerning relevant legislation and the stipulation that the contractor must adhere to the requirement of the Councils Housing HSE Code of Conduct for Contractors and appropriate legislation.

The contractor will have to ensure that waste materials and water loss are kept to a minimum and that waste leaving sites is reused or recycled where practicable. The contractor will be required to minimise the use of water, chemical and materials, recycle waste where at all possible, and ensure that any waste disposal is done legally. In addition, the contractor will have to store, use and dispose of any chemicals following manufacturer's guidelines and, where possible, use recycled or sustainably produced materials.

The contractor will also be encouraged to use low or zero-emission vehicles and install energy-saving replacement parts where possible and compatible.

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 18 June 2021, and the summary is included below. The complete Resident Impact Assessment is appended.

It is anticipated that the delivery of this service will not negatively impact any persons within the protected characteristics groups. The delivery of the contract will positively impact all residents, including those with protected characteristics, as it is designed to ensure that council properties and estates are maintained to a high standard and its residents have access to the necessary sanitation.

5. Reason for recommendations

- 5.1 Islington Council must ensure residents' properties are free of blockages and/or leaks to foul drains, soil stacks and toilets, as part of The Secure Tenants of Local Housing Authorities (Right-to-Repair) Regulations 1994. The council is also responsible for maintaining and keeping the council's housing stock in a good state of repair.

The procurement of one contractor is required to ensure that all necessary drainage works and drainage excavation repairs (including collapsed pipes) are provided.

Appendices

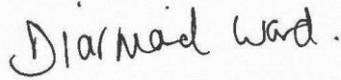
- Appendix 1: Resident Impact Assessment

Background papers

- None

Final report clearance:

Signed by:



Executive Member for Housing & Development

15 November 2021

Date

Report Author: Sylvia Krzak
Tel: 020 7527 7638
Email: sylvia.krzak@islington.gov.uk

Financial Implications
Author: Katherine Hau
Tel: 020 7527 2125
Email: katherine.hau@islington.gov.uk

Legal Implications
Author: Clive Sheldon
Tel: 020 7527 2965
Email: clive.sheldon@islington.gov.uk