

London Borough of Hammersmith & Fulham

Report to: Leader's Urgency Decision

Date: 07/05/2020

Subject: CONTRACT AWARD REPORT: GAS SERVICING AND MAINTENANCE

Responsible Director: Jo Rowlands, Strategic Director for Economy

Report author: William Shanks, Governance and Commissioning Manager, The Economy

Summary

A Cabinet report of 7th October 2019 approved a procurement strategy to procure long term contracts for the repairs and maintenance of the Council's housing stock. These are the contracts that will replace the 'interim model' repairs and maintenance contracts that were put in place following the termination of the Mitie contract, and that were to last for 15 months.

The Cabinet report delegated authority for awarding any contracts resulting from the procurement strategy to the Cabinet Member for Housing. Due to the impact on the Housing Revenue Account, the report was escalated to a Leader's Urgency Decision.

The Economy department have followed the approved procurement strategy and this report now recommends the appointment of a contractor to deliver Gas servicing and maintenance to the Council, across the whole borough. The contract is for a period of 5 years with the option to make two 1-year extensions.

Separate reports will recommend the appointment of contractors to carry out responsive Repairs and Voids, and specialist contractors to carry out Electrical and Asbestos services, and an Out of Hour call handling function.

Recommendations

It is recommended that the Leader:

1. Notes that Appendix A is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).
2. Approves the award of the Gas servicing and maintenance contract for five years to 31st July 2025 with a provision to extend for up to two 12 month periods, to Morgan Sindall Property Services Limited, for the value of £29.5m (consisting of a fixed fee of £14.5m for domestic servicing and communal

maintenance, plus £15m of estimated spend for variable volume investment work, including the installation of new boilers, priced against bespoke prices and a discounted Schedule of Rates).

3. Agrees the award of a reserve contract to K&T Heating Services Limited.
4. Notes that the award of contract cannot be made until the conclusion of the S.20 consultation referred to in section 5 of the report.
5. Agrees that for 2020/21, the part-year costs of these contracts of £3.931m plus one-off mobilisation costs of £0.190m are funded from the following sources:
 - the Housing Revenue Account General Reserve for the one-off mobilisation costs (£0.190m) and part-year contract costs (£0.047m)
 - existing revenue budgets within the Housing Revenue Account (£1.788m),
 - the boiler installation, capitalised repairs and unallocated budget within the housing capital programme (up to £1.646m),
 - revenue savings of £0.450m from a savings plan which is currently being developed for the Housing Revenue Account and which requires total savings of £1.633m in 2020/21 rising to £2.622m per annum from 2021/22 onwards (note that this is in addition to the existing savings plan previously approved at Cabinet in February 2020 which requires savings of £0.5m in 2020/21 rising to £4m per annum from 2023/24 onwards).
6. Agrees that from 2021/22 onwards, the full-year costs of these contracts of £5.896m are funded from the following sources:
 - existing revenue budgets within the Housing Revenue Account (£2.682m),
 - the boiler installation, capitalised repairs and unallocated budget within the housing capital programme (up to £2.469m),
 - revenue savings of £0.745m from a savings plan which is currently being developed for the Housing Revenue Account and which requires total savings of £1.633m in 2020/21 rising to £2.622m per annum from 2021/22 onwards (note that this is in addition to the existing savings plan previously approved at Cabinet in February 2020 which requires savings of £0.5m in 2020/21 rising to £4m per annum from 2023/24 onwards).
7. Agrees that if the required level of savings cannot be delivered for either or both 2020/21 and 2021/22 onwards, that the HRA General Reserves are used to fund any shortfall up to £0.450m for 2020/21 (in addition to the £0.047m required for part-year contract costs) and up to £0.745m for 2021/22 onwards for the term of the contract.

Wards Affected: All

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none"> Building shared prosperity 	<p>Well maintained and safe homes are an important foundation for our tenants' prosperity. The new contractors have made social value commitments relevant to this priority – around apprenticeships, training and employability schemes.</p>
<ul style="list-style-type: none"> Creating a compassionate council 	<p>The Gas contractor has been chosen partly on the basis of qualitative questions including those that focus on customer experience. The contract sets high standards around customer experience, dignity and respect, and equality, that the contractor must abide by.</p>
<ul style="list-style-type: none"> Doing things with local residents, not to them 	<p>Residents' forums and Tenants Associations have been involved in the design of the long-term repairs model since the summer of 2018, through workshops and consultations. Two tenant/leaseholder representatives took part in the evaluation of initial tenders – scoring a question on customer experience.</p>
<ul style="list-style-type: none"> Being ruthlessly financially efficient 	<p>The Gas contractor has been chosen partly on the basis of their price (a 60:40 quality to price ratio was applied). The procurement process involved a five week negotiation period to ensure there was absolute clarity about the commercial model and payment terms in the contract, to ensure bidders priced correctly and the risk of future disputes are minimised. The commercial model in the long term Gas contract has been carefully designed to reflect lessons learned from the interim model and ensure greater value for money for LBHF.</p>
<ul style="list-style-type: none"> Taking pride in H&F 	<p>The new Gas contract has a focus on IT integration, data analysis and data-driven decision making that is innovative and is intended to help LBHF achieve an exemplary Gas service.</p>

Financial Impact

Summary

A summary of the financial costs and funding of the contract, and associated repairs contracts, is set out below. Further detail and explanation is provided following the table.

Expenditure Category	Annual Costs	Funded by:			One-off Costs	Funded by:
		Existing HRA Revenue Budgets ¹	Existing Housing Capital Programme Budgets*	Additional HRA Savings Plan / Drawdown from HRA General Reserve		
	£000s	£000s	£000s	£000s	£000s	£000s
General repairs and voids	8,549	6,472	200	1,877	295	295
Gas servicing and maintenance	5,896	2,682	2,469	745	190	190
Electrical servicing and works	2,968	1,108	1,860	0	0	0
Asbestos	TBC	720	TBC	TBC	TBC	TBC
Out of hours support	TBC	70	TBC	TBC	TBC	TBC
LTRM contracts being procured	17,413	11,052	4,529	2,622	485	485
Other contracts		1,616				
In-house costs		10,131				
Total Funding		22,799	4,529	2,622		485
Total Funding over 5 years		113,995	22,645	13,110		485
Part-year effect	11,609	6,841	3,019	1,748	485	485

The part-year effect savings requirement is £1.633m. A drawdown from the HRA General Reserve of £0.115m will also be required. However, if the savings target cannot be met this year, up to £1.748m will need to be drawn from the HRA General Reserve.

*This includes an assumption that some of the unallocated budget within the Housing Capital Programme will be utilised to provide sufficient capital funding for the gas contract to deliver 1,000 boilers. The current estimate is that £0.797m per annum will be required for this.

¹This includes an adjustment to existing budgets to include a virement of £0.332m of budget from Electrical servicing and works to General repairs and voids. Also, this includes a virement of £0.130m from the Asbestos budget to the General repairs and voids budget to cover the £0.130m of estimated costs relating to asbestos removal on voids.

As the contracts are expected to commence in August 2020, the table above shows there will be a part-year effect associated with the costs and funding of the new procurements during 2020/21. It has been assumed that the contract costs will be incurred on a pro-rata basis with the exception of the one-off mobilisation costs which will be wholly incurred within 2020/21.

The table also shows that there will need to be a further savings plan in addition to the existing plan agreed at Cabinet in February 2020. An initial part-year additional saving of £1.633m will be required in this financial year and in subsequent years this will rise to £2.622m per annum (in addition to the existing savings plan of £0.5m in 20/21 rising to £4m per annum from 23/24 onwards). The acting Strategic Director for The Economy Department and the Chief Housing Officer are leading on the development of the savings plan.

The current projected level of HRA cashable reserves following the budgeted appropriation from the HRA General Reserve of £7.924m for 20/21 is £16.481m. A drawdown of £0.485m for known estimated mobilisation costs and £0.115m for the part-year effect of the new general repairs and voids, gas servicing and electrical servicing contracts would reduce this balance to £7.957m. Further annual recurring drawdowns for the next four / five years, taking into account the budgeted appropriations from and transfers to the HRA General Reserve planned within the latest approved HRA business plan, will need to be offset by further savings, as outlined above and as included in the recommendations to this decision report.

If these savings are not achieved, the table above shows that a total of £13.110m will be needed from HRA General Reserves. Given the projected HRA General Reserve balance for the end of 2020/21, is £7.957m, this would not be a financially sustainable scenario and so it is imperative savings are identified and delivered.

Costs of the gas servicing and maintenance contract

The estimated total annual value of the contract is £5.896m. In addition to this, one-off mobilisation costs of £0.190m will also be incurred in 2020/21 only.

A detailed breakdown of the approach to estimating the fixed and variable elements of each of the contracts are set out in section 3 of Appendix A. In summary, there are five main elements to the estimated annual contract costs:

- contractual commitments to incur spend related to the fixed price element of the contracts of £2.923m;
- it is expected that the Council may also need to incur spend on jobs inherently outside the scope of the fixed price element of the contract. The volume of works is based on out of scope work volumes delivered during the interim contracts period which indicates a potential cost of £0.970m;
- an estimate of £0.300m has been made for TUPE and pension adjustments;
- the gas contractor will also be carrying out boiler installations costing up to £1.703m.

Of these costs, it is expected that all of the boiler installations work will be capitalised. In addition, based on the Council's recent domestic gas repairs spending

pattern together with a professional opinion from the service, up to £0.765m of the variable volume work may be eligible for capitalisation. However, this depends on how the “out of scope” element of the contract is spent and it may be the case that the amount of gas repairs capitalisation is much lower than this in practice.

Funding

Following Cabinet approval of a one-off annual revenue budget of £22.2m for the interim repairs model for 2019/20 in March 2019, this budget was made permanent for 2020/21 to fund the long term repairs model following Cabinet approval of the “Financial Plan for Council Homes: The Housing Revenue Account (HRA) Financial Strategy, 2020/21 HRA Budget, 2020/21 Rent Increase and HRA 40 Year Financial Business Plan” on 3 February 2020. The revised budget for 2020/21 is slightly higher than the original £22.2m (as a result of adjustments undertaken as part of the budget setting process) and is separated out below into the following categories of spend:

Division	Expenditure Category	20/21 Budget (£000s)
	Customer Service Centre	2,223
	Out of Hours support	70
Place		2,293
	Gas	2,782
	Staffing	2,414
	Electrical / Security	1,740
	Asbestos	850
	Lifts	678
	Professional fees	537
	Water	438
	Legal costs	233
	Compensation payments	140
Property & Compliance		9,811
	General repairs	4,962
	H&F Maintenance	3,123
	Staffing	1,462
	Voids	1,048
	Drainage	100
Void & Repairs Total		10,695
Total Revenue Budget		22,799

Of the £22.8m set out in the table above, the budget available to fund the costs of the gas servicing and maintenance contract is £2.682m. Of the total revenue budget in the table above of £2.782m, £0.100m is required for compliance, audit and inspection costs which are separate to this procurement.

The HRA Asset Management Compliance Strategy and Capital Programme report approved by Cabinet on 1 July 2020 allocated a £4.139m capital budget for

residential boiler renewals through to 2023/24. As at 1 April 2020, £3.622m remains which based on the estimated installation cost¹ is enough to fund the planned average of up to 532 boiler installations or £0.906m of works a year over the first four years of the contract. For the fifth year of the contract a further budget allocation will be needed which can be addressed when the Council approves its capital programme budget to 2024/25 in February 2021. As per paragraph 3.4 on the exempt Appendix A, the volume of installations will be led by the budget but if installations increased to the annual contract limit of 1,000 installations it would cost £1.703m per annum. This would require an additional annual budget allocation of £0.797m from the overall programme envelope.

The capital element of the estimated variable cost is £0.765m per annum will need to be accommodated within the capitalised repairs budget which is set aside for responsive capital repairs that fall outside of the scope of repairs contracts such as this one. £0.2m per annum has been estimated on the responsive repairs and voids contract being awarded simultaneously. This budget is currently £9.989m for the current programme to 31 March 2024. There may be further capital costs coming from the out of hours contract and therefore once all of the repairs contracts are in place this budget will need to be reviewed periodically to ensure it is sufficient on an ongoing basis.

Assuming that revenue costs are incurred in line with the estimated contract costs outlined above, this means that the available budget of £2.682m will be insufficient to cover the annual costs of £3.427m (net of estimated capitalisation).

Risks

The current best estimate of the revenue costs of the gas servicing and maintenance contracts is, at £3.427m, £0.745m in excess of the approved budget of £2.682m.

Although the fixed revenue costs of £2.923m are certain, the variable revenue costs (estimated at £0.505m) may be higher or lower than the estimates above. This could lead to either a higher or a lower overspend than the £0.745m indicated above.

The eventual capital / revenue split of costs is not precisely known and there is a risk that some of the variable volume work currently assumed to be capital in nature, may be found to be revenue (depending on the nature of the spend incurred under these contracts), which would add to the pressure on the revenue budgets.

Each of the budgeted expenditure categories in the table above have been reviewed with the service to identify any additional funding to close the budget gap. The review has identified that some spend categories where there is uncertainty over the costs (for example, due to pending procurements and demand-led expenditure). Whilst there may be opportunities to reduce costs across these categories, due to the level of uncertainty over costs at this stage, it is not possible to release any revenue funding from within the long-term repairs model approved budget.

¹ The contractors price for 1,000 boiler installations is set out in appendix A

There are a number of other contracts due to be awarded to successful tenderers under the Long-Term Repairs Model and the relevant decision maker will be asked to approve contract awards for general repairs and voids and electrical testing within the same timeframe as the gas servicing and maintenance contract. In the following weeks, further reports to award contracts for asbestos removals, surveys and out of hours call handling will be brought to the appropriate decision maker. As a number of these procurements are not sufficiently progressed at this stage to determine the estimated costs compared to the budget available, there is a significant risk that the total revenue budget of £22.8m and other capital budgets within the current four year programme (including the capitalised repairs budget of £9.989m and the boiler installation budget of £3.622m to March 2024) may not be sufficient to contain all costs under the Long-Term Repairs Model. This could result in the need to make an additional ongoing drawdowns from the HRA General Reserve, which is unsustainable in the medium term.

Analysis of the cost estimates for the new repairs and voids contract suggest that annual revenue costs of £8.349m are expected. Whilst this is an estimate dependent on factors including job volumes and the nature of the spend, the existing revenue budget for the repairs and voids contract is only £6.140m. It may be possible to reduce some of this overspend of £2.209m, through the other contracts being procured but comprehensive information is not currently available.

Analysis of the cost estimates for the new electrical servicing and works contract suggest that, after having taken account of the scope for capitalisation, annual revenue costs of £1.108m are expected. As the existing revenue budget for the electrical servicing contract is £1.440m, the surplus budget of £0.332m will be made available to recover some of the shortfall on the repairs and voids contracts being procured in the same timeframe (bringing the revised revenue budget for the repairs and voids contract to £6.472m, leaving it £1.877m short of the estimated costs).

Taking the above funding concerns into account, there is a significant risk that it will not be possible to manage these contracts within approved budgets and therefore that the contract costs will need to be met from a drawdown in reserves until compensating savings can be delivered elsewhere in the HRA.

Reserves and Financial Sustainability

The plans set out in this report indicate that the shortfall against the revenue budgets for the gas servicing and maintenance contract of £0.745m will need to be funded by a recurring drawdown from the HRA General Reserve.

The “Financial Plan for Council Homes: The Housing Revenue Account (HRA) Financial Strategy, 2020/21 HRA Budget, 2020/21 Rent Increase and HRA 40 Year Financial Business Plan” approved by Cabinet on 3 February 2020 included an expanded £22.799m revenue provision for the combined elements of the Long-Term Repairs Model. This represented an increase of £4.7m from the previous established revenue budget of £18.1m. To accommodate the increased Long-Term Repairs Model costs and to ensure the HRA’s overall financial viability (with limited reserves), a 4-year phased £4m savings plan from base costs was agreed.

The Coronavirus pandemic has resulted in the loss of income and increases in costs for the HRA. The latest modelling indicates that during 2020/21, the HRA will suffer a net loss of income of c£6m. The long-term financial impact of operating in the “new normal” has not been fully understood and further time is needed to assess the impact. However, it is clear that this will result in the need to make further savings in addition to the existing savings plans to deliver £4m of revenue savings.

As set out above, there is an estimated shortfall against the revenue budget for the new general repairs and voids contract of £2.209m and although this is partially offset by the estimated budget surplus of £0.332m on the electrical servicing and testing contract, the net difference (£1.877m) will need to be funded by a recurring drawdown from the HRA General Reserve.

In addition to this, there is a currently unquantified risk from the other two contracts (asbestos surveys and removals, and out of hours support) which are yet to be financially evaluated.

The one-off costs of mobilisation of £0.190m will be funded from the HRA General Reserve in 2020/21. In addition, there are one-off mobilisation costs associated with the contract awards for general repairs and voids and this may also be the case for the asbestos and out of hours contracts (although there are none for the electrical servicing contract). There are no estimates as yet for the mobilisation costs for the asbestos and out of hours call handling contracts but if there are such costs, they will also need to be funded from the HRA General Reserve.

Given the costs of the gas servicing and maintenance contract award, and the known and unknown costs of other contracts under the Long-Term Repairs Model based on current information, there is a significant risk that the current £22.799m revenue budget envelope will be insufficient.

Without additional savings or income, this will have an adverse impact on the overall viability of the HRA business plan and the long-term financial sustainability of the HRA. The service has advised that there will be an annual contract review process, one outcome of which will be to ensure the delivery of savings on repairs costs.

The Acting Strategic Director of The Economy and the Chief Housing Officer have advised that any shortfall against the existing budgets is expected to be funded from other HRA efficiencies and these are being developed currently. The expected financial impact of the award of the general repairs and voids, gas and electrical testing contracts will mean increasing the annual budgeted drawdown from the HRA General Reserve for each of the next 5 years at least unless savings can be delivered to offset this.

Financial status of the contractors

As part of the tender process, credit checks were carried out on:

- Morgan Sindall Property Services Limited Ltd on 28th April 2020 and has indicated a low risk credit rating of 61% and the suggested contract limit of £36.55m and turnover of £99.85m is more than sufficient for the value of the

proposed contract. Further, finance officers have reviewed key accounting ratios within the contractor's financial statements and found these to be satisfactory.

Other risks and mitigations

Although TUPE and pension costs have been included in the estimated costs of the contract (the approach is set out in Appendix A, section 3.6 below), there is a risk of a price adjustment claim from any of the contractors.

The risk of commercial disputes arising has been mitigated by including within the negotiation process the need for the tenderers to understand payment terms and the commercial model.

Contractual inflation of CPI (Consumer Prices Index) is included within the contract which will mean future inflationary increases in the budget will be required for each of the five initial years of these contracts. However, the service have advised that there will be an annual contract review process, one outcome of which will be to ensure the delivery of savings.

Once this contract is in place, Finance officers will work closely with the service to ensure costs are closely monitored and reported. It will be necessary to seek additional approval should any costs exceed the approved budget.

There is also a risk that there may be other unexpected costs which will result in further pressure on the available budgets. For example, it will be necessary to ensure adequate controls are in place to ensure only approved contracts are used.

Legal Implications

This report is recommending the award of a contract for one of the lots that were tendered in relation to the long term housing repairs and maintenance contracts – gas servicing and maintenance. The value of the contract exceeds the EU Threshold for works (which is £4,733,252) and therefore it was necessary to comply with the full requirements of the Public Contracts Regulations 2015 ("PCR"). In accordance with the procurement strategy a competitive procedure with negotiation was used to procure the works. Details of the procurement process followed is set out in this report. The procurement was run in stages with selection stage, initial tender stage and final tender stage.

The tender documentation included award criteria which were applied at each stage. At the Final Tender Stage the evaluation criteria were applied to determine the most economically advantageous tenderer. It is recommended that the Contract is awarded to the highest scoring tenderer and a reserve contract is awarded to the second placed tenderer in accordance with the tender documentation.

The decision-maker needs be satisfied that the recommended award of contract is to the tenderer submitting the most economically advantageous tender on the basis of the award criteria set out in the Council's tender documentation. This will secure compliance with the PCR requirements and the Council's Contract Standing Orders.

A contract award notice must be published in the Official Journal of the European Union within 30 days of award of the contract and Contracts Finder 24 hours thereafter.

The Council's Legal Service will assist with preparing a formal contract. The tender was issued with a draft contract and will be entered into on those terms.

Implications verified/completed by: Sally Stock, partner, Sharpe Pritchard Solicitors on secondment to the Council sstock@sharpepritchard.co.uk

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Background Papers Used in Preparing This Report

Cabinet report: 'Procuring and delivering a long-term Repairs and Maintenance model for Hammersmith and Fulham', 7th October 2019.

DETAILED ANALYSIS

Proposals and Analysis of Options

- 1 Following the Cabinet report of 7th October 2019, a fully compliant procurement process was initiated to put into practice the Procurement Strategy as set out in that report.
- 2 In order to draw the attention of the market to the new contracts before the procurement commenced, a 'Meet the Buyer' day was advertised and took place at St Paul's Centre on 26th September 2019. This provided the opportunity for contractors to learn about the Long Term Repairs Model and the contracts that would be put out to tender. The event was attended by more than 50 suppliers and was well received.
- 3 In line with the Procurement Strategy approved by Cabinet, a Competitive Procedure with Negotiation (CPN) was launched with a Contract Notice in the Official Journal. The Council's preferred online procurement portal Capital Esourcing was used for the procurement.
- 4 Leaseholder consultation was carried out from 13th September 2019 to 18th October 2019, presenting the suggested lot structure and approach to procurement. No issues were raised by leaseholders and so the tender documentation and advert were prepared ready for publication.
- 5 A notice was submitted to Contracts Finder and the Official Journal of the European Union (OJEU) via the Capital Esourcing portal in accordance with the Council's Contract Standing Orders on 1st November 2019 (contract reference number 524676-2019).
- 6 The tender process then proceeded in four stages

Selection Questionnaire (SQ) stage:

- 7 Economic Operators were required to complete the SQ which required them to provide information to satisfy certain legal and financial requirements (for example passing certain mandatory criteria and evidencing their economic and financial standing). Economic Operators were also required to respond to certain questions to evidence their technical and professional ability primarily concerning their IT capacity and holding the relevant licences to carry out required works. The ability for contractors to interface with the Council's Housing Management system (Northgate) in real time is a key requirement of many of the long-term repairs and maintenance contracts.
- 8 Lot 4 (Gas) received 11 SQ submissions before the deadline of 4th December 2019. Following evaluation of the response eight suppliers subsequently passed the SQ stage and were invited to tender.

Initial tender:

- 9 The shortlisted economic operators invited to tender were required to submit a formal bid featuring answers to Qualitative/Technical questions set by LBHF,

and a set of prices that would constitute their Commercial Offer.

10 For Lots 4 (Gas), two of the bidders invited to tender withdrew from the process before the submission deadline of 7th February 2020. Ultimately, 6 bids were submitted. These bids were evaluated on the basis of the published evaluation criteria which were a 60:40 quality to price weighting. The tender documents stipulated that the highest scoring 3 firms would be invited to negotiate, so three suppliers were rejected at initial tender stage.

11 Negotiation:

The 3 remaining bidders took part in a month-long negotiation process with LBHF officers. The aims of the negotiation were:

- 1) To ensure the bidders fully understood the scope of the contract and LBHF's requirements, so as to be able to offer a service solution that would be of maximum value to LBHF. There was a particular objective to ensure bidders understood the commercial model and payment terms of the contract, to minimise the risk of future commercial disputes.
- 2) Identify areas where bidders could offer additional value beyond the requirements of the contract, and where these aligned with LBHF objectives, to confirm that LBHF would welcome these offers in the final bids.

12 The format and guidelines for the negotiation were planned in advance with the input of the Council's legal advisors, Sharpe Pritchard. The officers leading the negotiation were trained in these guidelines.

13 The negotiation period lasted for five weeks in March 2020 and involved two meetings with each bidder. The meetings with each bidder were structured in the same way to ensure fair and equal treatment. The first focused on the bidders' plans for managing contract mobilisation and transition to full capacity, for delivering Social Value, and for bringing innovation into the service. The second focused on the commercial model, and the investment that has gone into the Council's Gas assets in recent years. The meetings involved presentations from bidders and LBHF. Between the meetings, additional information was circulated online to all Bidders (via Capital Esourcing), such as information about the IT integration and a guide to the Council's in-house Housing Repairs Call Centre.

14 The negotiation period was judged a success by the LBHF officers involved because they felt it led to bidders gaining a fuller understanding of LBHF's priorities: effective mobilisation, well-managed TUPE transfer process, fully functioning IT integration, customer experience, First Time Fix, firm Social Value commitments, carbon reduction, and innovative use of data in order to manage future demand and deliver savings. It was felt that the quality of all bids would improve as a result LBHF would ultimately procure a higher quality service.

15 Final tender:

On 8th April 2020 the 3 bidders were invited to prepare their final bids. Final

versions of the contract documents (specifications, asset lists, pricing schedules) were published. The deadline for bids was 22nd April 2020.

16 A team of five evaluators was put together to mark the bids. The team was comprised of the Assistant Director for Operations, the Assistant Director for Property and Compliance, the Contract Lead Manager, Project Manager (Corporate ICT) and Project Manager (Economy Department ICT). The evaluators were trained by the procurement project team and by Corporate Procurement to ensure compliance with the Council's standards.

17 Tenders were opened virtually on the 22nd April 2020 with representatives from Corporate Procurement in attendance.

18 Tenders comprised two sections. These were:

A) Qualitative / Technical Questions:

The weighting given to the qualitative section in the evaluation criteria was 60%. Bidders were required to submit a number of method statements which were then evaluated.

A moderation session was held on 28th April 2020 to agree on a single score for each method statement for each Bidder. The overall weighted quality score was then calculated.

B) Pricing / Commercial Offer:

The weighting given to the commercial section in the evaluation criteria, was 40%. The evaluated price comprised of fixed fees for domestic servicing and communal maintenance, variable volume investment work, including the installation of new boilers, priced against bespoke prices and a discounted Schedule of Rates) using indicative volumes. Scores were allocated on a comparative basis – with the contractor with the lowest price receiving 40% and all other contractors being scored relative to the lowest price.

19 Following moderation, the weighted pricing and qualitative scores for each Bidder were combined. An overall score was achieved for each Final Tender response. The Final Tenders were then ranked – highest first.

20 See Appendix A, section 1 for the combined final total scores.

21 The evaluation panel recommends that Morgan Sindall, the highest scoring Tenderer, should be awarded the contract. It is recommended that K&T Heating should be made the reserve contractor.

22 Next steps

- 23 All bidders will receive written confirmation of the Council's decisions to award the contracts. These letters are prepared in line with the Public Contracts Regulations 2015 and will provide reasons for the decision together with the characteristics and relative advantages of the successful Tenderer for each Lot.
- 24 After the letters have been issued via the Capital E Sourcing portal, a standstill period of 10 calendar days must be observed by the Council in accordance with the Regulations. No activity to engage with successful bidders or to advance progress with the process may be carried out during this time.
- 25 After the conclusion of the standstill period, Privacy Impact Assessments will be carried out for the new contractors. Corporate IT will carry out their standard checks, including a Security Questionnaire to ensure that new contractors have the right controls in place to gain access to our network.
- 26 At the same time, the final stage of leaseholder consultation will take place, with leaseholders being advised of the award decision, and an opportunity to ask questions and provide feedback provided to them. The minimum time for this consultation is 35 working days, and should run from mid-May 2020 to late-June 2020.
- 27 Once leaseholder consultation has concluded, the process of contract signing will start. Draft contracts were issued at the start of the procurement process in November 2019 and these will be engrossed prior to being executed as a deed. This process should take no more than two weeks.
- 28 Mobilisation of the new contractors will commence after the statutory standstill period following contract award has finished – expected to be in the week commencing 18th May 2020. There will be just over ten weeks to mobilise the new contractors before the new contracts start on 1st August 2020. Key mobilisation activities include:

IT mobilisation: a project to integrate the contractors' systems with the Council's Northgate Housing Management system. Integration will allow the Call Centre to book appointments and the contractors to pick them up in real time. It will allow complete mirroring of data for performance monitoring purposes. It will allow contractors to complete works orders to qualify for payment. The effective running of the service relies on successful integration. The Economy's Operations department has assembled a project team to deliver this project, working with colleagues from Corporate IT.

Monitoring of the TUPE process: there will no TUPE transfer of staff from or to LBHF. Transfers will be between outgoing contractors and new contractors. LBHF has no formal role in the TUPE process however it is in our interests that the transfer is well managed and results in the new contractors having a full complement of prepared, trained and reasonably contented staff on day one of the contract. Therefore, LBHF HR will monitor the TUPE transfer

process, checking in with outgoing and incoming contractors at key milestones to gain assurance that the process is proceeding as planned.

29 See Appendix A, section 2 for Social Value commitments.

30 See Appendix A, section 3 for the estimate of the cost of the contract.

Reasons for Decision

31 Hammersmith and Fulham Council has a legal obligation to ensure its properties are maintained and as a landlord it needs to deliver Gas servicing and maintenance services to its tenants, including the duty to carry out annual Gas Safety checks.

32 The recommendations outlined are required to appoint a contractor to carry out these works as the interim Gas contract expires on 31st July 2020.

33 The recommendations outlined are the most effective way to ensure continuity of Gas servicing and maintenance services and legal compliance.

34 The recommendations outlined are based on a competitive tendering process in line with the Public Contracts Regulations 2015. The Final Tenders received were evaluated by the Council's evaluation team against published evaluation criteria. The Contractors recommended for appointment were identified as the most economically advantageous tenderers having applied the evaluation criteria.

Equality Implications

35 There are no direct equality implications for groups with protected characteristics, under the Equality Act 2010, associated with these proposals.

Implications completed by: Fawad Bhatti, Policy & Strategy Officer, tel. 07500 103617.

Risk Management Implications

36 The Council requires a repairs service which meets its objectives, which provides flexibility in how it manages its housing asset to deliver a higher level of resident satisfaction in its repairs service, which ensures compliance with all statutory health and safety requirements and which delivers on a range of other policies including social value and use of local suppliers. In line with the ruthlessly financially efficient priority, the Council also needs to demonstrate that the repairs service demonstrates and delivers value for money in managing and maintaining its housing stock to an appropriate standard.

37 The Corporate Repairs Board should regularly review the appointed contractors' performance to ensure that the objectives of the contracts are being met and take appropriate action where there is poor performance.

- 38 Officers have set out in the report how the new contracts are being procured in line with the Public Contracts Regulations (PCR) 2015 and with the Council's Contracts Standing Orders. These actions will mitigate the risk of contract/procurement challenge.

Implications verified/completed by: David Hughes, Director Audit, Fraud, Risk and Insurance Tel: 020 7361 2389

Business Implications

- 39 The Economy department will work with the Business Development team to develop arrangements for monitoring these commitments and facilitating their realisation by, for example, connecting the contractor to initiatives that are already established.
- 40 Social value commitments will be managed throughout the full period of the contract, and reports provided to Corporate Procurement.

Implications verified/completed by: Albena Karameros, Economic Development Team, tel. 020 7938 8583

IT Implications

- 41 IT Implications: Digital Services is already working in partnership with the Economy on aspects of this proposal. As noted in the report, the Economy's Operations department has assembled a project team, working with colleagues from Corporate Digital Services, to deliver the IT mobilisation (integration of the contractors' systems with the Council's Northgate Housing Management system).
- 42 Digital Services must be consulted where proposals require new systems to be procured, existing systems to be modified, or IT enhancements to be considered. As such, if further requirements arise – such as the need for mobile application integration for the DLO - Digital Services must be advised as early as possible to ensure prompt service delivery and coordination of all necessary safeguards, permissions and budgets.
- 43 IM Implications: As noted in the report, a Privacy Impact Assessment will be required to ensure all potential data protection risks resulting from this proposal are properly assessed with mitigating actions agreed and implemented.
- 44 Suppliers will be expected to have a General Data Protection Regulation (GDPR) policy in place and all staff will be expected to have received GDPR training.
- 45 Contracts should include H&F's data protection and processing schedule, which is GDPR compliant.

Implications completed by: Karen Barry, Strategic Relationship Manager – 020 8753 3481.

Procurement/Commercial Implications

46. The recommendations of the report are in line with the Council's Contracts Standing Orders (CSOs). The CSOs categorise the contract as a high value contract. As per CSO 21.1, the decision maker for the contract award is the relevant Cabinet Member.
47. The procurement, competitive procedure with negotiation, was conducted in line with the CSOs and the PCR 2015. A Contracts Notice was published in TED and Contracts Finder, in accordance with the procedure requirements.
48. The evaluation of each stage followed CSOs 45 and records of the evaluation and moderation process are kept on the auditable e-tendering platform.
49. The recommendation is to award to the most economically advantageous tenderer that provides best value for the Council in terms of quality and prices, in line with the tender documents and the Council's CSOs.
50. A contract award notice must be published in TED and in Contracts Finder following award and the contract record shall be created on the Council's contracts register to ensure compliance with statutory transparency requirements.

Procurement implications completed by Andra Ulianov, Head of Contracts and Procurement.

Consultation

51. In accordance with Section 20 of the Landlord and Tenant Act 1985 (as amended by Section 151 of the Commonhold and Leasehold Reform Act 2002) and the Service Charges (Consultation Requirements) (England) Regulations 2003, a Notice of Intention was served on 13th September 2019 and expired on 18th October 2019.
52. A second Notice (of Proposal) will need to be issued as the procurement process concludes. The regulations allow for leaseholders to comment on the suppliers being recommended for appointment. The Council, as Landlord, is required to 'have regard' to any comments but is not required to act on any suggestions from leaseholders. At the end of the 30-day period point the Council will be compliantly able to enter into contracts with suppliers and to then recharge leaseholders where contributions exceed £250 per property.

List of Appendices:

Appendix A (Exempt)