

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cabinet Member for Housing and Homelessness, Cllr Frances Umeh

Date: 08/11/2022

Subject: Procurement Strategy – Electrical Lateral Mains Upgrade Works (22 Blocks)

Report author: Dominic D’Souza, Commercial Manager

Responsible Director: Jonathan Pickstone, Strategic Director for the Economy

SUMMARY

This report seeks approval for the Procurement Strategy to procure a contractor to carry out ‘Electrical Lateral Mains Upgrade Works’ across 22 blocks that are situated in the properties listed in paragraph 12 below.

Following extensive condition surveys of the electrical infrastructure supporting the delivery of power to our residents which highlighted the degrading condition of the existing fifty (50) to sixty (60) year old cabling, in June 2021, W G Wigginton Limited, was appointed to undertake three (3) pilot projects to renew the landlord electrical distribution infrastructure at 1-25 Abbey Court (within the Emlyn Gardens Estate), 1-30 Clifford House (within the Lytton Estate) and 1-68 Linacre Court. These pilot projects are expected to be completed by the end of August 2022 and taking all the lessons learnt from this pilot, through design specification, invitation to tender, lease holder and resident consultation and a clear understanding of best practice when retro-fitting sixty year old supply the Council would now like to progress to phase two (2) and undertake further replacement works in relation to the Electrical Lateral Mains in 22 blocks.

These works must be carried out urgently as a result of the instability of the existing electrical infrastructure within these blocks that not only present a potential fire risk but also, if there are power cuts the systems may not reengage when the power is turned back on.. The ‘Housing Revenue Account (HRA) 12-year Asset Management Capital Strategy’ (approved by Cabinet on 6th September 2021) listed replacement works in relation to Lateral Mains to be undertaken, therefore, carrying out these works complies with the approved capital strategy. The ‘Mechanical and Electrical’ (M&E) delivery team will be responsible for delivering these works.

RECOMMENDATIONS

That the Cabinet Member:

1. Approves the Procurement Strategy for the proposed approach to procure a contractor to undertake ‘Phase two (2) of the Electrical Lateral Mains Upgrade Works’ in 22 blocks in accordance with the 12-year HRA Asset Management Capital Strategy.

2. Delegates authority to the Strategic Director of the Economy to amend or make changes to the proposed scope of services for operational reasons, where such amendments can be contained within the approved budget envelope and available resources.

Wards Affected: All

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The successful contractors will be encouraged to use local supply chain for the supply of materials and to use local labour where possible.
Creating a compassionate council	Procuring specialist contractors to deliver these schemes has been decided after carefully considering the health and safety of our residents. The programme of works will be based on planned preventative maintenance related data including the age and condition of the affected properties and will be designed to protect the long-term health, safety, and welfare of residents.
Doing things with local residents, not to them	Officers will ensure that residents are involved when developing the programme of works. The suggested approach involves resident engagement prior to works and continuous engagement while on site. The Delivery Team will deal with any resident queries.
Being ruthlessly financially efficient	The procurement of these works will be tailored to deliver the best value for money solution and will be procured through a competitive tender exercise using the most economically advantageous tender criteria. The tender will be evaluated on the basis of quality and price to ensure both, quality standards and value for money are achieved.
Taking pride in H&F	These works will remove the need to undertake wasteful reactive maintenance and help to save whole life asset expenditure across the medium to long-term while ensuring the Council's commitment to keep resident homes safe.
Rising to the challenge of the climate and ecological emergency	The contract will support the delivery of programmes of work to increase energy

Our Values	Summary of how this report aligns to the H&F Values
	efficiency and, where possible, reduce carbon output across the Council's housing stock.

Financial Impact

The report seeks approval for the procurement strategy to appoint a contractor to deliver the Electrical Lateral Mains Upgrade Works across 19 blocks. The work will be capital in nature as the aim is to replace existing assets which are at risk of no longer being maintainable or serviceable. The estimated cost is circa **£2.9m** for the 19 blocks with the work anticipated to take 19 months (1 month per block).

The Housing Revenue Account (HRA) 12 year Asset Management Capital Strategy - approved by Cabinet on 6th September 2021, proposes to replace the Lateral Mains to at least 70 blocks within the borough at a cost of £21m during the years 2024 - 2030. This procurement is expected to precede the works outlined with the capital strategy and the estimated costs of £2.9m (£1.5m in 22/23 and £1.4m in 23/24) will be funded from uncommitted balances in the Landlord's Electrical Installations scheme - £1.5m in 2022/23 and £1.9m in 2023/24.

The Leaseholder Services Team have estimated that approximately £483,000 of the cost can be recharged to leaseholders through major works invoicing. This is based on an average of £4,200 for 115 leaseholders across the 19 blocks (equating to 17% of the budgeted cost).

As tenders are received from prospective contractors, Finance will conduct Credit Safe checks to establish the annual contract limit and ensure any financial risks identified are managed appropriately.

The final tendered cost of the contract will be included within the contract award decision. Once contractors are appointed, Finance will continue to monitor the works to ensure spend activity is in line with the approved budget.

Implications prepared by Llywelyn Jonas, Principal Accountant – Housing Capital Dated 21st April 2022 and verified by Emily Hill, Director of Finance, dated 19 May 2022

Legal Implications

The Council is obliged to maintain its housing stock as part of its functions as a housing authority under the Housing Act 1985.

The proposed contract is below the threshold for a public works contract under the Public Contracts Regulations 2015. There is therefore no obligation to undertake the advertising and competition requirements in these regulations.

This is a high value contract for the purposes of Contract Standing Orders. An open competition is one of the means of procurement permitted under CSO 18 which

relates to high value contracts. The proposed procurement strategy is therefore compliant with the CSOs.

The proposal is a key decision for the purposes of the Council's constitution and needs to be published on the Council's website in accordance with Part 4 of the Constitution before it is implemented.

*Implications prepared by John Sharland Senior Solicitor (Contracts and Procurement) email: john.sharland@lbhf.gov.uk
Dated 14 April 2022*

Background Papers Used in Preparing This Report

Housing Revenue Account (HRA) 12 year Asset Management Capital Strategy (approved by Cabinet on 6th September 2021)

DETAILED ANALYSIS

Proposals and Analysis of Options

1. The proposal in this paper is to carry out a new procurement exercise to procure a contractor for carrying out 'Electrical Lateral Mains Upgrade Works' in 19 22 blocks to support the delivery of the 12 year HRA Asset Management Capital Strategy. These works will form part of the first tranche of works to be delivered in relation to Lateral Mains.
2. This is phase 2 of a wider Electrical Lateral Mains upgrade programme. Phase 1 piloted the approach across three blocks, this Phase 2 will carry out works across 22 blocks, and a subsequent phase 3 will carry out upgrade works across the remaining blocks required.
3. The electrical lateral mains in general require upgrading because the building electrical infrastructure is aged and starting to deteriorate, and it is increasingly difficult to source replacement parts in the case of electrical failure, which could exacerbate any power outages. The intention therefore is to replace these systems before the elements start to fail and future proof effective electrical supply at these blocks.
4. The sites selected for Phase 2 are priority blocks based on the fact these are known to be aged and starting to show signs of deterioration, which can be reflected in electrical test results. In addition, these sites will then be able to provide spare parts for other blocks in the borough.
5. The Procurement Strategy set out in this paper provides a detailed analysis of the procurement routes and options considered.

Options

6. Option 1: Do nothing.
7. Option 2: Procure a contractor using the single-stage open procedure.
8. Option 3: Procure a contractor using the two-stage restricted procedure.
9. Option 4: Procure a contractor by running a mini-competition under an existing third-party framework.

Reasons for Decision

10. To comply with the requirements contained in the Council's Contract Standing Orders (CSOs) to seek Cabinet Member approval for the Procurement Strategy set out in this paper.
11. The Council is the responsible landlord and the 'HRA 12 year Asset Management Capital Strategy' listed replacement works in relation to Lateral Mains to be undertaken.

Contract Specifications Summary

12. Electrical Lateral Mains provide the electrical distribution system in multi-occupancy buildings (landlord electrical distribution infrastructure). It currently comprises the rising and lateral cables that carries the mains electricity to the communal fuse on each block landing.
13. A detailed specification including drawings is available for the blocks that fall within the properties listed in paragraph 12 below. Essentially, the specification involves the renewal of mains and renewal (and replacement) of the cabling that connects each resident's electricity meter to the aforesaid landlord electrical distribution system.

Contract Package, Description and Length

14. The form of contract to be used will be the JCT Intermediate Building Contract with contractor's design 2016 (ICD). The contract price and payment structure will be based on a lump sum with monthly interim payments. Tenderers will be asked to submit a lump sum price for delivering the works across the blocks.
15. The contract will be packaged in a way where works will be carried out in blocks in the following properties:
 - (i) Aintree Street (Munster Ward)
 - (ii) Benbow Road (Grove Ward)
 - (iii) Beverley Court (Wendell Park Ward)
 - (iv) Brent Court (Wendell Park Ward)
 - (v) Colne Court (Wendell Park Ward)

- (vi) Crane Court (Wendell Park Ward)
- (vii) Ember Court (Wendell Park Ward)
- (viii) Essex Court (Grove Ward)
- (ix) Falkland House (Avonmore Ward)
- (x) Fleet Court (Wendell Park Ward)
- (xi) Lea Court (Wendell Park Ward)
- (xii) Longford Court (Wendell Park Ward)
- (xiii) Mole Court (Wendell Park Ward)
- (xiv) Roding Court (Wendell Park Ward)
- (xv) Wyfold Road (Munster Ward)
- (xvi) Aspen Gardens

16. Aintree Street [i.e. (i) above]] includes 5 blocks and Aspen Gardens includes 3 blocks. All the other properties [i.e. (ii) to (xv)] include one block each..Detailed specifications are available for the blocks in question for the properties listed in paragraph 12 above.

Procurement Route Analysis of Options

17. The three (3) main procurement routes considered are:
- (a) Open Procedure
 - (b) Restricted Procedure
 - (c) Mini-competition using compliant Framework Agreements
18. Under the open procedure any company interested in the works may submit a tender in response to a contract notice. There is no process of shortlisting under this procedure and the Council cannot undertake any form of negotiation with the contractor. The estimated value of the works is approximately £3,000,000 (£3m), which is below the threshold for works as set out in the Public Contracts Regulations 2015 (PCR 2015).
19. The restricted procedure allows the Council to restrict the number of companies invited to submit a tender. This has the advantage that the Council can decide the number of bids it requires to enable reasonable competition. Participating tenderers know that they are competing with a relatively small number of competitors and so, have an incentive to devote a reasonable level of resource to their bid in order to be competitive. Under the restricted procedure it is not possible to engage in any negotiation whatsoever in relation to the bid.
20. Awarding contracts based on a compliant framework agreement requires running a mini-competition exercise in accordance with the rules of the framework agreement. Frameworks offer a quicker route to market and access to a pool of pre-selected contractors, who have already been assessed by the framework provider as suitable for delivering works.
21. The open procedure is a single-stage tender process and all participating companies are evaluated across the board at one single stage. The restricted procedure has the advantage of prequalifying bidders based on their capability, capacity, and experience to perform the contract, and thereafter,

shortlisted bidders are invited to submit tenders. Both the open and restricted procedures would enable lease holder re-charging. The drawback with framework agreements is that the Council has to use 'off-the-shelf' framework contracts that may not meet the Council's needs nor incorporate 'lessons learned' from the Council's experience of clienting contractors. Using frameworks can also impede leaseholder recharging.

Options Appraisal

22. **Option 1 - Do nothing:** This option is not recommended for the following reasons:
- (a) The Council has a duty to keep its residents safe and in compliant homes.
 - (b) The Council has the option to invest less in its housing stock, however, this approach would lead to higher repairs and maintenance costs and would be a 'false economy' in the long-term.
 - (c) The Council has an ambition to reduce carbon emissions to net zero by 2030 and has stated that 'residents deserve a place that is safe, clean and green'.
23. **Option 2 - Single-stage open procedure with the use of a minimum standards questionnaire (this is the recommended option):** This option is recommended because running a single-stage tender process would be more efficient in terms of time for procuring a suitable contractor.
24. **Option 3 - Two-stage restricted procedure:** Restricting the procurement to a limited number of pre-selected contractors would offer the advantage of focus and a streamlined procurement process. However, given that time is important, a single-stage tender process would be more appropriate as compared to a two-staged tender process.
25. **Option 4 - Mini-competition using compliant Framework Agreements:** Officers investigated potentially suitable frameworks with lots covering electrical services including Fusion 21 and South East Consortium (SEC). Due diligence indicated that many of the framework companies included in their general electrical services lots did not possess specialist experience of renewing landlord electrical distribution infrastructure systems.

Recommended Procurement Route

26. The Open Procedure is recommended because running a single-stage tender process using a minimum standards questionnaire would be the most appropriate route for procuring a contractor to deliver these works.

Market Analysis, Local Economy, and Social Value

27. The market is well developed and the Council has experience of procuring a contractor for carrying out the three (3) pilot projects. There are sufficient number of companies with a national and regional presence that possess the capacity, experience, and appetite to undertake these works. The works are

specialist, but understood across the wider group of electrical services companies. It is expected that this opportunity will generate sufficient interest from experienced contractors to enable a competitive procurement exercise to be run in order to achieve the best value for money outcome.

28. This procurement is a one-off contract for works and it is not proposed as a long-term partnership.
29. This opportunity would be open to all businesses and so, local businesses that undertake such works would be able to participate in this tender exercise.
30. Leaseholders were offered an opportunity to nominate a contractor during the first phase of formal consultation. None elected to do so.
31. There is a possibility for social value contribution in the area of local employment, apprenticeships and local supply chain spend.

Risk Assessment and Proposed Mitigations

32. The key risks identified are as follows:

Risks	Possible Impact	Rating	Mitigation
Poor market interest in this opportunity which results in no bids being submitted	Delayed delivery of the project	Low	This is an open market exercise and there is no restriction in participating in this opportunity. A detailed tender pack will be produced to encourage participation from experienced contractors.
Procurement challenge	Delayed delivery of the project including (possible) suspension of procurement	Low	A tendering process will be followed to protect the Council against the risk of a challenge.
Procurement does not achieve required competitiveness and does not provide value for money.	Delayed delivery of the project	Low	This is a competitive tender exercise and it is expected that the best value for money outcome would be achieved through the application of an appropriate tender evaluation methodology.
Construction market inflation	Increased project costs	Medium to High	This risk will be costed in the risk register with a realistic provision for inflationary increases in order to manage cost uncertainties.

Contractor becomes insolvent or no longer has the capacity to deliver scheme	Increased project costs and delayed delivery of the project	Low	While the likelihood of this risk is low, the potential impact might be significant depending on progress of works. Before the contract is awarded, robust financial assessments will be undertaken including independent financial and credit checks and, where deemed necessary, parent company guarantees will be requested.
Mobilisation / Construction delayed due to unforeseen site issues	Delayed delivery of the project	Low	Necessary resources will be put in place to deliver the project in a timely manner. The respective blocks will be de-risked to ensure the contractor has unrestricted access for carrying out the works.
Covid protocols not followed, endangering health and safety of residents.	Delayed delivery of project due to impact on contractor staff and associated reputational risk to the Council.	Low	Covid-related risks will be mitigated by the inclusion of dedicated protocol(s) within the tender documents (including 'Hygiene – Covid-19 Working in People's Homes'), adherence to which will be contractual. Tenderers will be asked to demonstrate how they will ensure such adherence in their health and safety method statement response.

Timetable

33. Detailed below is an estimated timetable of the tender process through to contract commencement.

Particulars	Date
Key Decision Entry (Strategy)	14 th April 2022
Contracts Assurance Board (Strategy)	13 th July 2022
SLT/Cabinet Member/Cabinet Sign off (Strategy)	31 st October 2022
Find a Tender Service Notice	5 th December 2022
Closing date for submissions	13 th January 2023
Evaluation of Tenders	Late Jan – Early Feb 2023
Key Decision Entry (Award)	Early Feb 2023
CAB (Award)	22 nd Feb 2023

SLT/Cabinet Member (Award)	3 rd March 2023
Find a Tender Service Contract Award Notice	6 th March 2023
Contract mobilisation and implementation	March – April 2023
Contract Commencement date	On or around 17 th April 2023

Selection and Award Criteria

34. This is a high value contract and so, the contract will be awarded on the basis of the Most Economically Advantageous Tender (MEAT) using the recommended quality to price ratio of 60:40 (CSO 37.1.2). The 60:40 split would enable the Council to better test value offered against a rigorous specification.

Quality Evaluation

35. The quality evaluation will include, but will not be limited to, the following criteria:

Sr.	Criterion	Weighting
1.	Project Delivery	Weighting to be decided - will be finalised at tender stage.
2.	Resident Engagement	Weighting to be decided - will be finalised at tender stage.
3.	Health and Safety Management	Weighting to be decided - will be finalised at tender stage.
4.	Communication	Weighting to be decided - will be finalised at tender stage.
5.	Scenarios	Weighting to be decided - will be finalised at tender stage.
6.	Environmental Impact	Weighting to be decided - will be finalised at tender stage.
7.	Any other quality criteria as may be required by the delivery team.	Weighting to be decided - will be finalised at tender stage.
8.	Social Value (including Social Value Percentage and Method Statement demonstrating delivery capability)	Weighting will be 16.67% of overall quality weighting.

Price Evaluation

36. The Tender with the lowest submitted total price will receive the maximum score of 100% of the price element in the commercial evaluation. Thereafter, each other Tender will be compared against the lowest priced Tender in accordance with the following formula to arrive at a score up to two decimal points:

$$(A \div B) \times C = X$$

Where,

A = the lowest submitted price of all Tenders.

B = the total price submitted by the Tenderer.

C = the maximum percentage score i.e. 100%.
X = the score for Price.

37. Assuming a notional figure of £100,000 for the lowest submitted Tender and using the formula in paragraph 18 above, the price score would be as set out in the table below and then weighted at 40% to arrive at the final score for price.

Tenderer	Price	Score Awarded (X)
1	£100,000 (A)	100.00%
2	£120,000 (B)	83.33%
3	£140,000 (B)	71.43%
4	£160,000 (B)	62.50%

Compilation of Quality and Price Scores

38. The scores awarded to each tender for the Quality and Price elements of the evaluation will be added together to establish the MEAT, which is the tender with the highest combined score for price and quality.

Social Value

39. The specification for the contract is highly technical and the nature of the works is heavily regulated. However, as part of the quality evaluation, tenderers will be asked to submit a social value proposal that will include quantitative and qualitative elements. Social Value will account for 10% of the overall quality weighting (i.e. 16.67% of 60%).

Contract Management

40. The contract will be managed by the Council's M&E delivery team. The Electrical Contracts and Compliance Manager and the Electrical Contract Manager will inspect the works across the different properties and will certify payments on behalf of the Council. The Contractor's performance will be managed through the use of Key Performance Indicators (KPIs) as set out in paragraph 45 below. The KPIs will define the level of performance expected from the contractor when delivering the works.
41. The KPIs will be reviewed at monthly meetings by the Council's delivery team and the Contractor's representative. The contractor will be required to address any failing KPI(s) and the parties must discuss and agree on necessary remedial action(s).

42. The purpose of KPIs is to spur joint improvements that need to be put in place as opposed to levying financial penalties.

KPI	Description	How measured	Target
1.	Resident Satisfaction	Percentage of residents responding positively to the following question at the time that particular resident's property is connected to the new lateral mains: <i>"Overall, how satisfied were you with the contractor who carried out the works?"</i>	90%
2.	Construction time – project	Number of days between programmed and actual handover date	<28 days
3.	Predicted Cost	Percentage within the estimated contract sum	<5%
4.	Health and Safety	Reportable Accidents/Incidents (Number of reportable accidents or incidents ÷ Headcount on site)	0%
5.	Defects – end of Defects Liability Period (DLP)	To be rectified within four (4) weeks of notification	100%

43. This is a lump sum contract for works so, the tendered rates should not be subject to price adjustment for inflation.

Equality Implications

44. It is not anticipated that the approval of the Procurement Strategy will have any direct negative impact on any protected groups under the Equality Act 2010.

Risk Management Implications

45. The report recommends undertaking a one stage open tender process which includes the use of a minimum standards questionnaire and an appropriate weighting for quality to be used in the invitation to tender. This both aligns to the Council objective of being ruthlessly financially efficient and of creating a compassionate council by seeking to protect the long-term health, safety, and welfare of residents. The report identifies a number of risks to the procurement with suitable mitigations identified. Officers will need to ensure that these risks are closely monitored through the procurement process and the delivery of the works.

David Hughes, Director of Audit, Fraud, Risk and Insurance, 14 April 2022

Climate and Ecological Emergency Implications

46. The cabling infrastructure that would be installed as part of this project would ensure that the electrical distribution cable would enable: (i) the delivery of Net Zero goals by 2030 and (ii) the installation of Smart Meters in the properties.
47. Care will be taken to reduce carbon emissions during the construction phase and as part of the tender evaluation, an assessment of social value impact will be carried out which will include consideration of environmental commitments and initiatives that the bidding contractors can deliver under this contract.

Dominic D'Souza, Commercial Manager in consultation with Paul Grady, Electrical Contract Manager, 20 May 2022, and verified by: Hinesh Mehta, Head of Climate Change, 26 May 2022

Local Economy and Social Value Implications

48. This strategy commits that each procurement will adhere to the Social Value Policy approved by Cabinet on 11th May 2020 and effective from 15th May 2020. Paragraph 33 specifies that social value is a part of the award criteria and that 10% of the overall assessment and social value key performance indicators (KPIs) will be part of their contract terms. To be considered, bids must include a proxy social value amount that is a minimum of 10% of the price quoted in the bid.
49. The pilot projects being undertaken by Wigginton referred to in the Summary included commitments to deliver social value. It has been verified that Wigginton, to date, has delivered 27.6% of the contracted social value measures and delivery is ongoing.
50. It is recommended that the project lead for each contract works closely with H&F's Social Value Officer and the contractor to agree a delivery plan soon after the award based on the quantitative and qualitative proposals referred to in paragraph 37.
51. Bidders will be required to register on Social Value Portal to enter social value quantitative responses. The successful bidder for each contract is responsible for paying the Social Value Portal management fee for the term of the contract.
52. It is advisable that the commissioner works closely with Legal Services to ensure appropriate social value clauses are included in the contract, so that the council can enforce its right to compensation if social value commitments are not delivered.

Paul Clarke, Economic Development Officer, 29 June 2022

Consultation

53. These works will be carried out over a period of longer than 12 months but will not be subject to Public Notice. There are therefore subject to consultation

under Schedule 1 (two stages) and Schedule 3 (one stage) of the Service Charges (Consultation Requirements) (England) Regulations 2003.

54. The Stage 1 consultation was carried out with leaseholders in affected blocks on 6 November 2020. This expired on 11 December 2020.
55. The Stage 2 consultation will be carried out with all leaseholders after bids have been received and assessed. Under the regulations, this will be for the new long-term agreement (as opposed to specific works).
56. A Stage 3 Section 20 notice will be issued thereafter to leaseholders in specific blocks as and works are scheduled in. This will be before any works start at individual buildings.
57. Once works are completed, the project management team will pass the final accounts across to Home Ownership Services to produce bills for leaseholders.

Ciaran Maguire, Head of Home Ownership Services, 19 April 2022

Digital Services and Information Management Implications

58. IT Implications: There are no IT implications resulting from the proposal in this report.
59. IM Implications: A Data Privacy Impact Assessment (DPIA) will need to be completed to ensure all potential data protection risks in relation to this proposal are properly assessed with mitigating actions agreed and implemented. The supplier will be expected to have a Data Protection policy in place and staff will be expected to have received Data Protection training.
60. The contract with the new supplier will need to include H&F's data protection and processing schedule. This is compliant with UK Data Protection law.

Karen Barry, Strategic Relationship Manager, 14 April 2022