

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Cabinet Member for the Economy - Councillor Andrew Jones

**Date:** 09/05/2023

**Subject:** Award for Property and FM Hard Service Procurement of a Mechanical Maintenance Contract for its Corporate Estate

**Report author:** Sebastian Mazurczak, Property and FM Compliance & Risk Management; Building Safety and Energy Management

**Responsible Director:** Jon Pickstone – Strategic Director for the Economy

---

### SUMMARY

As per the procurement strategy decision for Property and FM Hard Service by CAB the service went to open tender to procure a new mechanical maintenance contract as it was due for renewal. The contract sought was for five years (3+2) with a specialist supplier to maintain heating, cooling and other mechanical systems. The contract is required to maintain the corporate's estate mechanical assets and ensure that all statutory obligations are met.

There was a large amount of interest and following evaluation of tenders, an award of a contract is recommended to Thermoserv Ltd for a 5-year period with a break clause end of year 3.

---

### RECOMMENDATIONS

1. To note that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that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. To award the mechanical maintenance specialist contractor Thermoserv Ltd, a 5-year (3+2) contract. The contract price is estimated at £900,000 of which the annual servicing by Thermoserv Ltd is estimated to be £76,995.53 per annum, totally £384,977.68 over the 5-years. The remainder £515,022 of the £900,000 will be required for remedials and parts, post servicing, ad-hoc call outs for breakdowns and much needed upgrade of H&F aging stock for the potential 5-year duration of the contract.
  3. To note that the contract would be a fully inclusive (consumables included) for all statutory planned maintenance for disciplines covering Heating (boiler, heat source pumps, pressure vessels and heat distribution system); Cooling (HVAC, AC units and refrigeration); Hot water systems as well as BMS (Building Management Systems) Controls however exclusives to end of life parts required, AD-Hoc call outs and remedial works.
-

## Wards Affected: "All"

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
Building shared prosperity	Well maintained buildings will produce massive savings not only in during normal day to day usage but as well staff can be proud to work from and ones that are operational with minimal to no disruption.
Creating a compassionate council	Maintaining our council's buildings to suit and meet all person's requirements and needs.
Doing things with local residents, not to them	Safe and compliant buildings members of public can use.
Being ruthlessly financially efficient	A multi-skilled mechanical contract in place that not only maintains our buildings at competitive market prices but one that identifies and pays back to us in savings of well-maintained assets.
Taking pride in H&F	Well maintained building that perform and can be used as flagships of the Council's assets.
Rising to the challenge of the climate and ecological emergency	Buildings maintained to standards that meet our climate and ecological responsibility.

## Financial Impact

The total cost of the contract will be up to £900,000 over a 5-year period (180,000 per annum), £384,978 of which is fixed annual servicing costs and the remaining £515,022 is for remedial works and repairs.

A break clause is to be built into the contract. After 3 years, LBHF can exit the contract without financial penalty, based on performance management of the contract.

Current expenditure is with a range of contractors and has been met within the Hard Services, supplies and services revenue budget of £425k. This would continue to be the funding source on award of the contract. However, any remedial works deemed to be capital in nature would still be capitalised within the Corporate Planned Maintenance Programme

This is a fixed cost contract and there is no between year inflationary uplifts built within the contract minimising risk to LBHF budgets as the contract progresses.

Expenditure on mechanical maintenance maintains the fabric of LBHF buildings and should therefore reduce the requirement for future major capital repairs/works and guard against the associated capital financing burden.

Will Stevens, Finance Manager, The Economy, 18/04/23

Danny Rochford, Head of Finance, HRA and The Economy, 21/04/23

## **Legal Implications**

The Council has the power to procure these services as they are required to support a range of its functions.

The value of the contract means that it is above the threshold for the Public Contracts Regulations 2015 (PCR) to apply. The advertising and competition requirements in those regulations therefore need to be complied with. The report sets out that the procurement procedure which took place was the open procedure. This is in accordance with the procedures set out in the PCR.

This is a high value contract for the purposes of the Council's Contract Standing Orders. The use of an open competition is compliant method of procuring a contract of this value in accordance with CSO (Council's Standing Order) 18.

The value of the contract means that its award will be a Key Decision under the Council's Constitution and will need to be included on the Council's Key Decision list.

John Sharland, Senior solicitor (Contracts and procurement), 31 March 2023

---

## **Background Papers Used in Preparing This Report**

**None.**

---

## **DETAILED ANALYSIS**

### **Proposals and Analysis of Options**

#### **Tender Evaluation**

4. Tender went live on the 22 February 2023 on the e-tendering portal as an open procurement to all. It ran for a month with a closing date of 24<sup>th</sup> March 2023 which gave all potential bidders plenty of opportunity to ask questions and submit their tender.
5. Initially there were 33 interested parties that opened the envelope on Capital E to review the documents provided. Of the 33 potential contractors 7 declined to tender and 5 put in satisfactory tenders. Rest of potential bidders provided no response.
6. All 5 of the tender submissions met all minimum quality requirements. Tender evaluations were based on price submitted for carrying out annual planned maintenance and quality response to technical questions. Split was 55%:45% respectively and the results are listed in the exempt Appendix 1.

## Reasons for Decision

7. To award a contract to Thermoserv Lt, which has provided the most financially and economically viable tender, scoring high on quality at a competitive price.
8. Thermoserv, through its tender submission has shown to excel in competency with various accolades and memberships of key organisations showing to being open to 3<sup>rd</sup> party auditing and scrutiny to achieve a competitive lead in the market.
9. Thermoserv Ltd, is a multi-skilled mechanical contractor with key skills which were very much sought by Property and FM with this procurement as required a specialist covering hot water and supply, heating & cooling, ventilation and other auxiliary equipment under one contract making it easier to manage as well as would be more financially favourable for FM to obtain a one-stop-shop mechanical specialist.
10. Our carbon footprint would also be reduced by downsizing to a single larger contractor that is established locally, which has sustainable carbon reduction practises embedded within its practice already and increase in flexibility with multiskilled labours attending callouts.
11. With H&F move towards carbon zero, new technologies like heat pumps, BMS optimization and solar thermal with full integration of solar panels are only really known to by mechanical specialist of multi-disciplinary companies and Thermoserv Ltd has proven competency within this sector.
12. Procuring a longer 5 (3+2) year contract has shown by Thermoserv Ltd in bringing a more promising financial benefit that will be fixed for the next 5 years with the agreed price submitted set over the term of the contract which will also aid with budgeting and forecasting.

## Contract Management

13. This contract will be daily run by the FM helpdesk and the Contractor's dedicated team and contract manager. Due to the size, various mechanical disciplines and the workload of the contract, the contract management team will meet on a weekly basis (via Teams), which are required to run such a contract as it can quickly escalate out of control with regards to keeping track of weekly reactive works coming in and out, monthly PPMs to complete, remedials being planned in for breakdowns and project work. During the weekly meet, KPIs (Key Performance Indicators) are set within the agenda and contractor will be assess by:
  - Number of outstanding jobs which are overdue.
  - Dependant of severity, each work is graded between a P1 which is critical, and attendance needed with 2-4 hours and a P4 which gives 1 month for completion. Contractor is assessed in meeting those targets.
  - Jobs delivered within agreed timescale post initial call out and within budget.
  - Jobs completed first time and quality of workmanship meaning no return.
  - Receipt of paperwork from site (copy of job sheets), within agreed timescales (timescales agreed for each discipline at pre-start contract meeting). Jobsheets also to be clear and signed and off as true reflection of events/activities on site.
  - Invoicing received in appropriate manner post receipt of Job sheets.

- Quotations in line with agreed contract standard prices submitted.
  - Client satisfaction
14. A Senior Property and FM Manager will either attend these weekly contract meetings during implementation, resolve any issues or if problems arise else will receive weekly minutes that are reviewed when contract is running smoothly. The Senior Manager will then decide to withhold funds if works not completed to satisfactory standard and the organisation must rectify its fault before payment is released or if withheld if no job sheets or lack of information on invoices come in.
15. The contractor will submit to the in-house senior contract's manager (Senior Property and FM Manager) details of what contributions were made over the course of the contract and what set financial social value KPI measures were achieved. Contractor would also declare the number of local employments offers made or apprenticeship schemes as well as school holiday job experience or charity work for the community. This too will be monitored by the social value team within the council.

### **Procurement Implications**

The Procurement has been recorded as per CSO's and Regulation 84 on CAP-E – ITT\_16716 / PROJ\_21617. The documents demonstrate compliance and equality to bidders. The evaluation scores have been loaded onto the system. There were no outstanding questions or matters that were open at the time the procurement evaluation commenced.

David von Ackerman, Head of Procurement, 28 April 2023

### **Equality Implications**

16. There are no equality implications or risks relevant for this contract as procurement is with regards to asset maintenance.

Sebastian Mazurczak, Corporate Property Compliance, Risk and Energy Management, 28/04/2023

### **Risk Management Implications**

17. Given the nature of the plant being worked upon and the numerous statutory Health and Safety duties arising, Officers provide assurance that the Quality questionnaire is 45% and confirmation of the breakdown of areas of detailed consideration within. Officers should retain evidence of both submission and evaluation against these important criteria and ensure submission is clear and understood.
18. Officers will need to ensure when new contract is commenced that procedures and processes to dovetail with any issues arising from the external statutory inspections arranged via the insurance service remain effective

Ray Chitty, Head of Insurance, 28/04/2023

## **Climate and Ecological Emergency Implications**

19. The Climate and Ecological implications are positively associated with the procurement of a skilled mechanical contract and its delivery of all Property and FM legacy maintenance issues of the existing services to managed not only on the risk management issues of working plant within the corporate states but to tackle climate carbon in plant inefficiencies.
20. This means that the service will be able to identify any principal risks in carbon management to the achieve it objectives by recording them and undertake that they are allocated, measured, reviewed, and mitigated. The programme contributes positively to the management of property, environmental risk and maintaining our statutory environmental compliance.
21. Performance management of this contract shall remain the responsibility of Property and FM Department. For example, the gas boiler replacement program. Carbon savings from the new strategy would contribute further to carbon savings through smarter procurement thus this is contributing positively to the management of carbon management and environmental compliance.

Climate and Ecological Emergency implications completed by Corporate Property Compliance, Risk and Energy Management, 28/4/2023 in consultation with Hinesh Mehta, Head of Climate Change, 4/5//2023.

## **Local Economy and Social Value Implications**

22. It is a requirement that all contracts awarded by the council with a value above £100,000 provide social value commitments that are additional to the core services required under the contract. These commitments must amount to at least 10% in value of the price of the contract proposed. In addition, the evaluation of social value should account for a weighting of a minimum of 10% of the overall score.
23. ThermoServ proposed social value measures amounting to a proxy value of 67% of the contract price. However, method statements for what will be delivered were not provided in the bid and this poses a risk to their delivery which needs to be managed.
24. It is recommended that the commissioner works with the Legal Service to ensure appropriate social value clauses are included in the contract so that the council can enforce its right to financial remedies if social value commitments are not delivered.

Social Value Implications completed by Paul Clarke, Social Value Officer, 30/3/2023.

## **LIST OF EXEMPT APPENDICES**

EXEMPT Appendix 1: Summary of evaluation