

LONDON BOROUGH OF HAMMERSMITH & FULHAM

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

Date: 30/07/2024

Subject: Contract Award regarding the outcome of the – Electrical Lateral Mains Upgrade Works (22 Blocks) procurement

Report author: Richard Buckley, Assistant Director, Residents and Buildings Safety
Richard Shwe, Director of Housing

Responsible Director: Richard Shwe, Director of Housing

SUMMARY

The purpose of this report is to upgrade our electrical lateral mains across our estates in Hammersmith and Fulham. As our estates are on average 60 years old, the electrical lateral mains are failing on a regular basis, and therefore needs to be replaced. The Mechanical and Electrical Officers together with the Assistant Director of Residents and Building Safety will ensure quality standards are met by the contractor and residents receive a good service.

This report seeks approval to award a contract to Vallectric Ltd for £1,985,731.70. This contract is to carry out 'Electrical Lateral Mains Upgrade Works' across 22 blocks. The details relating to the properties can be found in the summary section of appendix 2 'Procurement Strategy'. Vallectric Ltd is the preferred bidder meeting the set out criteria.

Works are essential to maintain electrical supply and safety to the blocks, with a high likelihood of failure of components if not upgraded.

In 2022, per appendix 2 'Procurement Strategy', approval was granted to undertake a procurement for a contractor to undertake 'Electrical Lateral Mains Upgrade Works' across 22 blocks. Per appendix 1, the procurement exercise has concluded and in line with the evaluation criteria, we have now identified our preferred bidder' Vallectric Ltd.

The Assistant Director, Residents & Buildings Safety and Head of Mechanical & Electrical are responsible for management of the contract and delivery of works. Officers will work with Vallectric Ltd to ensure delivery and that operational grip occurs on the new Electrical Lateral Mains Upgrade Works.

RECOMMENDATIONS

1. To agree that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any person (including the authority holding that information) as set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 approve a contract award to Vallectric Ltd for £1,985,731.70. This contract is to carry out 'Electrical Lateral Mains Upgrade Works' across 22 blocks.

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	The contract will support the delivery of

and ecological emergency	programmes of work to increase energy efficiency and, where possible, reduce carbon output across the Council's housing stock.
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Financial Impact

The report seeks to appoint a contractor Vallectric Ltd in delivering electric lateral mains upgrade works across 22 blocks at a maximum cost of £1,985,731.70. The works are expected to commence in the summer of 2024, for a period of 24 months, and therefore the cost is expected to be spread across financial years 2024/25, 2025/26 and 2026/27.

The HRA Asset Management 4-Year Capital Programme for 2024-28 was approved by Cabinet in February 2024 and contained a budget provision for electrical safety works, of £19.910m across financial years 2024/25 to 2027/28. The cost of the electric lateral mains upgrade works will be funded from approved uncommitted balances in the Landlord's Electrical Installations scheme.

The Leaseholder Services Team have estimated that between £600,000 to £625,000 of the cost can be recharged to leaseholders through major works invoicing. This is based on an average of £4,200 for 155 leaseholders that were previously consulted by Leaseholder Services during the Stage 1 consultation process (equating to 31% of the budgeted cost). The Leaseholder Services team will issue the Stage 2 consultation notices prior to award of the Contract. This is referenced below in the Consultation section.

A CreditSafe report run on 17th July 2024 on the supplier Vallectric Ltd showed a credit score of 43 (moderate risk) and a contract limit of £1,300,000. The company's latest financial statements and key accounting ratios were also reviewed as part of the financial due diligence process. Although the credit score is below the Council's threshold score of 51 and the contract limit is lower than the proposed contract value, officers have advised that these risks can be mitigated by ensuring that payments are only made once work has been completed to a satisfactory standard and continuing to monitor the supplier's performance and financial viability throughout the contract period.

Finance officers will work closely with the budget holders to monitor spend within the agreed budget envelope and will report updates to the financial position via the quarterly Capital Programme Monitor.

Implications completed by: Anjeli Chadha, Principal Accountant (Housing Capital), 17 July 2024

Verified by: Danny Rochford, Head of Finance (HRA and Economy), 17 July 2024

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 and to ensure that its properties are kept in repair as part of its duty as a landlord under the Landlord and Tenant Act 1985. The carrying out of these works will enable the Council to carry out these functions.

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 procurement has been undertaken in accordance with the approved strategy and 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 in the key decision list on the Council's website.

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

Background Papers Used in Preparing This Report:

None.

DETAILED ANALYSIS

1. Rising and Lateral Mains (RLM) provide the electrical distribution system in multi-occupancy buildings (landlord electrical distribution infrastructure) and Rising and lateral cables carry the mains electricity supply to our residents' homes.
2. *Pre 2019, following multiple failures in the electrical supply cables (with some being 60 years old) it was recognised that the condition of the supply cabling was aged and un-stable. Inspection by officers specifically highlighted 25 'at risk blocks.*
3. Following this assessment, in July 2019 Cabinet approved an allocation of £4.1m to renew landlord electrical infrastructure.
4. *To ensure ruthlessly financial efficiency (via market testing), quality outcomes and minimal resident disruption the proposal to undertake three pilots at 1-25 Abbey Court within the Emlyn Gardens Estate, 1-30 Clifford House within the Lytton Estate, and 1-68 Linacre Court was agreed, and approval was granted. Prior to these Pilots the value being applied by the council was £250,000.00 per block. Through the competitive tendering of these three blocks the cost was recognised at an average of £160,000.00 per block.*
5. *This pilot project provided the client team with the ability to recognise the risks that were adding to these costs and subsequently adding provisions to eradicate these risks translated into a reduction in the average costs whilst also allowing the client team with the time to focus in on our resident experiences,*

and from these lessons learned we believe we have achieved improvements to the design for these works. We have also implemented changes to ensure the resident experience is guaranteed, and through this testing we have gained a greater understanding of the marketplace and leveraged this to our advantage with the average cost for this phase sitting at £91,000.00 per block.

6. On conclusion of this pilot, in November 2022, we undertook a procurement exercise to identify a contractor to deliver the remaining 22 at risk blocks.
7. As per appendix 1 of this paper, the procurement exercise has been successfully conducted, evaluated, and moderated and we are therefore now able to award the contract to the identified preferred bidder.
8. The paper recommends awarding a contract to Vallectric Ltd whom per appendix 1, are the identified preferred bidder in relation to the approved procurement strategy in appendix 2.
9. These electrical mains upgrade works to the 22 blocks stated in appendix 2 are still required by the Mechanical and Electrical Compliance team and we therefore seek to award and mobilize the contract by the summer of 2024.
10. Rising and Lateral Mains (RLM) provide the electrical distribution system in multi-occupancy buildings (landlord electrical distribution infrastructure). Rising and lateral cables carry the mains electricity supply to our residents' homes.
11. Well-functioning infrastructure in relation to lateral mains is therefore crucial in ensuring the provision of electricity in housing blocks, reducing fire risk and therefore undertaking this work programme is of critical importance.
12. On that note, we seek authorization from the Cabinet member to approach the preferred identified bidder regarding contract award.
13. *Upon award of this contract, the client team (Head of Mechanical & Electrical) will manage the successful delivery of this contract. The client team will implement tested contractor onboarding procedures to ensure the competency of the winning bid, and as standard any concerns will be highlighted, and the project will not proceed to mobilisation. If mobilised the client team will subsequently apply our standard contract performance monitoring and contract management processes, again to ensure the stability of the project. This contract will be managed in line with Construction Design Management procedures (CDM) to include the implementation of a robust Quality Checking procedure prior to any financial applications being authorised.*
14. *For Note; On notification of the winning bid, taking into consideration the value of the bid, the client team have meticulously gone through the details of the bid and have found nothing that raises concerns and the team have also undertaken checks on the contractor's ability to deliver on the works they have tendered and we have found nothing to suggest that this type of work does not within their BAU activities.*

Reasons for Decision

15. 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.
16. We have implemented the procurement exercise stated in Appendix 2 and therefore we now require contract award approval to enter into a contract with the identified preferred bidder, Vallectric Ltd.

Equality Implications

17. Per the procurement strategy assessment, 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

18. As is noted above, there is a financial risk of engaging with the nominated supplier Vallectric Ltd. To mitigate the risk, it is advised that in addition to the stated further analysis of Vallectric Ltd's financial statements that an assessment is conducted of their performance in delivering similar initiatives, against quality, timescales, as well as cost (including overruns). This should include contacting previous customers, and press / online reviews. Furthermore, it should be considered that poor delivery and engagement with residents would result in significant reputational damage to LBH&F, leading to bad press coverage and potential legal proceedings.

Jules Binney, Risk and Assurance Manager, 24th May 2024

Climate and Ecological Emergency Implications

19. Per the procurement strategy report:
20. 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.
21. 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.

Approved by Hinesh Mehta, Assistant Director Climate Change, 15/05/202

Consultation

22. This contract is subject to statutory consultation with leaseholders and thus far 155 homeowners have been consulted on a proposal to enter into a new long-term agreement for the delivery of works.

23. The Stage 1 Notice of Intention was issued in two tranches, with the first sent on 20 November 2020 and the second 31 October 2022.
24. A Stage 2 Landlord's Proposal Notice will be issued to all affected leaseholders prior to contract award. This will include the projected cost for the two highest ranked contractors and an indication as to how works will be priced under the contract.
25. As the Council does not presently intend to appoint the lowest-priced submission, a further notice will be issued to leaseholders within 21 days of contract award. The 'Notice of Reasons' will explain to recipients why the lowest bid was not adopted.
26. Once the new contract is in place, a Stage 3 Section 20 notice will be issued to leaseholders in individual blocks as and when works are drawn down from the contract.
27. Each phase of consultation offers leaseholders a 30 day window to submit their comments and observations on the proposal.
28. Invoices will be issued to leaseholders after practical completion of works.

Implications completed by: Ciaran Maguire, Head of Home Ownership Services, 22nd May 2024

LIST OF APPENDICES

Exempt Appendix 1- Moderated scores
Appendix 2- Approved Procurement Strategy

Appendix 2- Approved Procurement Strategy

Please see the below pathway to the approved procurement strategy:

[Procurement Strategy Report Template \(lbb.gov.uk\)](https://www.lbb.gov.uk/procurement-strategy-report-template)