



Haringey Council

Agenda item:

[No.]

Cabinet Procurement Committee

On 31st March 2009

Report Title. Contracts for Planned Maintenance

Report of Julie Parker, Director of Corporate Resources

Signed :



19/03/2009

Contact Officer : Malcolm Greaves, Corporate Landlord Manager

Wards(s) affected: ALL

Report for: Key Decision

1. Purpose of the report

1.1. To seek Members agreement to award contracts for the provision of planned maintenance works across the operational building portfolio as identified in Appendix A of this report. These contracts will cover emergency lighting, fire & security, lifts, mechanical & electrical plant.

2. Introduction by Cabinet Member (if necessary)

2.1. I concur with the recommendations as set out in the report. The Procurement method complies with Council policy and there are no apparent TUPE implications with confirmation from HFH. The award of this contract will enable Corporate Property Services to fulfil its Corporate Landlord obligations.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

3.1. On the 2nd September 2008 the Cabinet Procurement Committee approved the award of contract for a Managing Agent Role to coordinate and manage an integrated programme of reactive and planned Maintenance across the operational building portfolio.

3.2. The objective of this appointment was to improve the way in which building maintenance services are planned, prioritised and delivered across the operational building portfolio.

The key objectives were to:-

- Achieve an improved economy of scale with a 5% target cost saving in the first year over the current contractual arrangements.
- Improve the planned to reactive maintenance ratio to 70:30 in terms of spend (currently 50:50) to derive costs savings and building efficiencies.
- Deliver improved quality of service and levels of customer satisfaction by the implementation of an integrated contract.

3.3. The award of these contracts for the Planned Maintenance Works completes the implementation of this approved maintenance procurement strategy

4. Recommendations

4.1. That approval is granted to award the emergency lighting, fire & security systems maintenance contract for a period of 2 years, with the option to extend by a further two 1-year periods in accordance with Contract Standing Order (CSO) 11.03, to the contractor named in Appendix A, paragraph 1.1.

4.2. That approval is granted to award the lift maintenance contract for a period of 2 years, with the option to extend by a further two 1-year periods in accordance with Contract Standing Order (CSO) 11.03, to the contractor named in Appendix A, paragraph 1.2.

4.3. That approval is granted to award Lots 1 and 2- boiler, mechanical and electrical systems maintenance in a single contract for a period of 2 years, with the option to extend by a further two 1-year periods in accordance with Contract Standing Order (CSO) 11.03, to the contractor named in Appendix A, paragraph 1.3.

4.4. That the contracts be awarded based on the pricing arrangements set out in Appendix A of this report, paragraphs 2 – 4.

5. Reason for recommendation(s)

Background

- 5.1. On the 2nd September 2008 the Cabinet Procurement Committee approved paper V74/25 for the award of a contract for a Managing Agent to be appointed to deliver planned and reactive maintenance services across the operational building portfolio.
- 5.2. The contract for the Managing Agent (MA) was awarded to Europa Services and the reactive maintenance works were mobilised immediately through their supply chain. This service has been successfully operating since the 10th November 2008.
- 5.3. A detailed review of the planned maintenance works currently managed by Homes for Haringey has now been completed with the objective of the new Managing Agent taking responsibility for the three contracts to be awarded under this report from 1st May 2009. Formal notification on the termination of the existing Service Level Agreement with Homes for Haringey has already taken place.
- 5.4. The contract period for all opportunities has been selected to ensure a balance of investment and payback periods (particularly in the case of 4 year contracts), a review date to coincide with the expiry of the Managing Agent contract. It is considered that going for a two year contract for the Emergency lighting, fire and security, Lifts and mechanical & electrical will provide greater flexibility to derive further efficiency improvements once optimised maintenance systems are in place as these combine a number of previously separate contracts.
- 5.5. Detailed specification for the planned maintenance works has been compiled and optimised with a consolidation of the work down from the current fourteen contracts to the seven contracts put out to tender. These contracts cover the following areas:-
 - i) Tenders above the OJEU threshold for services (i.e. >£ 139,893)
 - Emergency Lighting, Fire & security systems
 - Lifts
 - Boilers, Mechanical & electrical systems (2 lots)
 - ii) Tenders Below the OJEU threshold for services (i.e. <£ 139,893)
 - Fire extinguishers
 - Fountains
 - Clocks
 - Water systems. (i.e. legionella controls)
- 5.6. This paper seeks approval for the award of contracts within item 5.5 - (i) Tenders above the OJEU threshold for services. The remaining lower value contracts within item 5.5 - (ii) will be submitted for approval by the Director of Corporate Resources under delegated authority. This is to allow start up of these contracts on 1st May 2009.
- 5.7. The three OJEU procurement opportunities were advertised in accordance with the Haringey standing orders and OJEU requirements. Tenders received were evaluated and scored as follows:

5.8. Emergency Lighting, Fire and security systems.

5.9. The contract was advertised for a two year period with the option to extend for a further two one year periods. 51 expressions of interest were received and 15 Pre-qualification Questionnaires (PQQ) submitted. Of those 8 were selected to tender and 4 tenders were submitted and evaluated against predetermined criteria with the results indicated in Appendix A, paragraph 3.

5.10. Lifts

5.11. The contract was advertised for a two year period with the option to extend for a further two one year periods. 27 expressions of interest were received and 8 Pre-qualification Questionnaires (PQQ) submitted. Of those 5 were selected to tender and 5 tenders were submitted and evaluated against predetermined criteria with the results indicated in Appendix A, paragraph 2.

5.12. Boilers, Mechanical and Electrical

As this tender combined previously separate contracts the Boilers and Mechanical & Electrical tender comprised two lots to provide a contingent flexibility in award. Contractors were invited to price lots separately and offer a discount if awarded both lots.

5.13. Boilers- Lot 1

5.14. The contract was advertised for a two year period with the option to extend for a further two one year periods. 30 expressions of interest were received and 10 Pre-qualification Questionnaires (PQQ) submitted. Of those 6 were selected to tender and 5 tenders were submitted and evaluated against predetermined criteria with the results indicated in Appendix A, paragraph 4.

5.15. Mechanical & Electrical Lot 2

5.16. The contract was advertised for a two year period with the option to extend for a further two one year periods. 30 expressions of interest were received and 8 Pre-qualification Questionnaires (PQQ) submitted. Of those 6 were selected to tender and 5 tenders were submitted and evaluated against predetermined criteria with the results indicated in Appendix A, paragraph 4.

5.17. Tenders were evaluated using the criteria of 60% quality and 40% price assessment. The quality evaluation was based on a written submission supported by a formal clarification interview. It is recommended that award of the discounted combined lots 1 and 2 be to the tenderer referred to in Appendix A, paragraph 4.1.5 as the tenderer submitting the most economically advantageous tender.

5.18. Interview assessments comprised a question and answer session, clarifying the written submission and tested both technical and non-technical aspects

5.19. It is recommended that lots 1 and 2 are let in one single contract as this provides the most economical tender and the greater opportunity to realise savings over the life of the contract by further economies of scale.

5.20. Appendix A Exempt information of this report details the tender values, analysis of the tenders and resultant scores .

Sustainability

- 5.21. The contractor's pre-qualification submissions required a response and evidence of their commitment to addressing sustainability improvements. The contractors named in Appendix A have demonstrated this throughout the evaluation process, including delivery methods, material selection, innovation and areas such as waste reduction and disposal.
- 5.22. The contracts will ensure effective management of planned and preventative maintenance which optimises the life and performance of assets. Replacement of assets will be programmed to reduce inefficient reactive processes.

Risks

- 5.23. The procurement process has been very detailed and thorough to ensure that the selected contractors have sufficient capacity and capability to manage and deliver these contracts. If any of these contractors should under-perform to such an extent that contract termination is necessary; the Construction Procurement Group's framework agreements could provide short-term, interim continuity of service.

Legal Implications

- 5.24. TUPE issues have been addressed with our incumbent suppliers and the following potential posts have been identified for transfer to the new providers:-
- Purdy 2 posts.
 - Nationwide 1 post
 - Remainder of Contracts NONE.

This information has been communicated to all the relevant parties and taken into consideration in the bids received by tenderers.

Previously Homes for Haringey had indicated 2 posts were potentially transferable. This has been subsequently clarified as 0 posts. These posts related to the alarms contract only and all tenderers have been asked to clarify any impact on their tender submissions.

Contract Implementation

- 5.25. Subject to the approval of these recommendations the contracts will be awarded by Haringey to the contractors named in Appendix A and managed by our appointed Managing Agent. These contracts will be mobilised to replace the incumbent suppliers after their contracts expire at the end of March 2009. It is anticipated that these new contracts will be operational from 1st May 2009 and during this transitional period temporary arrangements are being made with our existing suppliers to ensure a seamless handover and continuity of service.

6. Other options considered

- 6.1. The option strategies were reviewed in the paper V74/25 submitted to the 2nd September 2008 Cabinet Procurement Committee.
- 6.2. At this meeting the appointment of a Managing Agent to coordinate and manage the integrated programme of reactive and planned Maintenance across the operational

building portfolio was approved.

6.3. The award of these contracts for the Planned Maintenance Works completes the implementation of the approved maintenance strategy

7. Summary

7.1. This report seeks the approval of the Cabinet Procurement Committee for the award of the contracts to the companies named in Appendix A.

7.2. The contracts will be performance managed on behalf of Haringey by our appointed Managing Agent, Europa Services in accordance with the contract KPI's.

7.3. The contracts will provide planned maintenance to the Operational Building portfolio in the following areas:-

- Fire & security systems
- Lifts
- Mechanical & electrical systems (i.e. including boilers)

8. Chief Financial Officer Comments

8.1. The Chief Finance Officer confirms the level of budget available for corporate property maintenance as stated in paragraph 13.3. The forecast annual spend on planned maintenance is £750k the bulk of which will be spent through the 3 tenders now recommended for acceptance. Once let, the contracts will be managed by the Council's managing agent, Europa, the cost of which was built into the contract let with them in Sept 2008. The move to an integrated contract should now enable delivery of an improved planned to reactive maintenance ratio generating continued cost savings and efficiencies.

9. Head of Legal Services Comments

9.1. This report is recommending the award of three services contracts each valued in excess of the current EU services threshold of £139,393. As such full EU procurement rules are applicable.

9.2. The contract has been tendered in accordance with EU procurement rules and Contract Standing Orders (CSO). An OJEU notice was issued and the contract was tendered using the restricted procedure. Legal Services have been involved in and consulted throughout the procurement process.

9.3. Each of the three contractors indicated in paragraphs 2.2.2, 3.2.2 and 4.2.2 of Appendix A has been recommended for award of a contract as indicated. This is on the basis that the recommended contractor in each case submitted the Most Economically Advantageous tender for that contract and is in accordance with CSO 11.01(b). Under CSO 11.01 an award may be made either on this basis or on the basis of the lowest price.

9.4. As the contract value for at least the Boilers and M&E contract exceeds £250,000 the proposed award must be approved by Members according to CSO 11.03 which says

that the Cabinet must award all contracts over this value.

9.5. The award of these contracts is treated as part of the Managing Agent procurement which is a key decision. A key decision is required by CSO 11.04 to be included in the Council's Forward Plan. Corporate Property Services have confirmed that the contracts covered by this report are included in the Forward Plan.

9.6. Appendix A considers a risk to the successful outcome of this procurement process.

9.7. Subject to the risk referred to in paragraph 9.6, the Head of Legal Services confirms that there are no legal reasons preventing members from approving the recommendations in paragraph 3 of this report.

10. Head of Procurement Comments –[Required for Procurement Committee]

10.1. The planned works procurement process has been managed by the Managing Agent On behalf of the Council.

10.2. The three OJEU procurement opportunities were advertised in the EU and in accordance with the Haringey standing orders.

10.3. The contracts to be set up will help the effective management of planned and preventative maintenance. The intention of which is to optimise the life and performance of assets and reduce reactive work.

10.4. The work was tendered to a shortlist of contractors following the EU process and the tenders received were evaluated on a price quality basis.

10.5. The Head of Procurement therefore states that the recommendations in this report will result in best value for the Council

11. Equalities &Community Cohesion Comments

11.1. The Council's Equal Opportunities policies have been embedded into the tender specification and contractors' policies and procedures have been reviewed during the pre-qualification stages for compliance with Haringey's standards.

11.2. An equalities Impact Assessment has been completed for the contracts after the quality assessment process and considered the impact of the proposed contracts on the employment of local labour. This is partly addressed through the transfer of up to four operatives from existing contractors and all recommended contractors operate within the local area.

12. Consultation

12.1. This report relates to previously agreed policy at which time full consultation took place with stakeholders.

12.2. The incumbent suppliers have all been formally notified and discussions have been held with Homes for Haringey. TUPE implications have been fully considered and incorporated into the tender specifications.

12.3. Homes for Haringey did not submit an expression of interest in these tender opportunities.

13. Service Financial Comments

- 13.1. The specifications for these contracts have been drafted to include an inspection and planned maintenance regime in line with legislative and best practice requirements. This represents an increase in such activity to maintain and prolong the life of assets, whilst reducing failure and reactive repairs. The packaging of works means we will improve efficiency and be able to reduce the reactive element over time. As well as improved value for money this will result in reduced unit costs for planned activities.
- 13.2. The MA will be paid a percentage management fee based on the value of works completed. This will be lower than the fees currently incurred on planned maintenance.
- 13.3. A corporate maintenance revenue budget of £1,582K is available within Corporate Property Services of which approximately £750k is allocated for planned maintenance contracts.
- 13.4. All applicants to the procurement process have been financially assessed using the Council's criteria for financial viability and those recommended have satisfied Haringey's requirements.

14. Use of appendices /Tables and photographs

Appendix A Exempt information of this report details the analysis of the tenders.

15. Local Government (Access to Information) Act 1985

- 15.1. The following approved papers were used in the preparation of this report:-
- Cabinet Procurement Committee report approved on the 27th November 2007, entitled "**Reactive and Planned Maintenance Contracts for the Operational Building Portfolio managed by Corporate Property Services**".
 - Cabinet Procurement Committee report approved on the 2nd September 2008, entitled **Contract for a Managing Agent Role to Coordinate and Manage an Integrated Programme of Reactive and Planned Maintenance for the Operational Building Portfolio**
- 15.2. The exempt information is exempt under the following category (identified in the amended schedule 12A of the Local Government Act 1972: s. (3) Information relating to financial or business affairs of any particular person (including the authority holding that information).