



Haringey Council

Agenda item:

[No.]

Cabinet Procurement Committee

On 7th July 2009

Report Title. **Boiler / Mechanical and Electrical Planned Preventative Maintenance Contracts.**

Report of **Julie Parker, Director of Corporate Resources**

Signed : *J. Parker 29/6/09*

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 a contract for the provision of boiler, mechanical and electrical planned maintenance across the operational building portfolio as identified in Appendix A of this report.

2. Introduction by Cabinet Member (if necessary)

2.1. I note the contents of the report

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 a contract for a Managing Agent 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 this contract for the Boiler Mechanical and Electrical Planned Maintenance completes the implementation of this approved maintenance procurement strategy

4. Recommendations

4.1. That approval is granted to award both Lot 1 boiler maintenance and Lot 2 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 paragraph 1 of Appendix A

4.2. That the contracts be awarded based on the pricing arrangements set out in paragraph 1 Appendix A of this report

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. A review of planned contracts was completed, optimising fourteen contracts down to seven.

5.2. Cabinet Procurement Committee on 31st March 2009 approved the award of a contract for Boiler Mechanical and Electrical maintenance as one of three planned maintenance contracts.

5.3. In accordance with OJEU procedures the award was then challenged by an unsuccessful contractor pertaining to the evaluation process. Corporate Property Services supported by Corporate Procurement and Legal Services reviewed the process and concluded it was not fully compliant with EU case law as set out in the Public Contracts Regulations 2006 and associated case law.

5.4. The tender documentation was accordingly revised and reissued.

5.5. The contract period has been selected to ensure a balance of investment, payback

period and a review date to coincide with the expiry of the Managing Agent contract. It is considered that going for a two year contract 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.

- 5.6. The Boiler mechanical and electrical procurement opportunity was advertised in accordance with the Haringey standing orders and OJEU requirements. Tenders received were evaluated and scored in accordance with a predetermined detailed scoring matrix, issued to tenderers.
- 5.7. 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.

Boilers- Lot 1

- 5.8. This 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.

Mechanical & Electrical Lot 2

- 5.9. This 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.
- 5.10. Tenders were evaluated using the criteria of 60% quality and 40% price assessment. The quality evaluation was based on a written submission. It is recommended that award of the discounted combined lots 1 and 2 be to the tenderer referred to in paragraph 1 of Appendix A, as the tenderer submitting the most economically advantageous tender.
- 5.11. It is recommended that lots 1 and 2 are let in one single contract as this provides the best value for money and the greatest opportunity to realise savings over the life of the contract by further economies of scale.
- 5.12. Appendix A Exempt information of this report details the tender values, analysis of the tenders and resultant scores.

Sustainability

- 5.13. The contractors' 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.
- 5.14. 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

5.15. The procurement process has been very detailed and thorough to ensure that the selected contractor has sufficient capacity and capability to manage and deliver these contracts. If the contractor 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

5.16. 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

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

Contract Implementation

5.17. Subject to the approval of these recommendations the contract will be awarded by Haringey to the contractor named in Appendix A and managed by our appointed Managing Agent. It is anticipated that this contract will be operational from 1st September 2009 and during this transitional period temporary arrangements have been 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 Boiler Mechanical and Electrical 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 company named in paragraph 1 of Appendix A.

7.2. The contract 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 Boiler Mechanical and Electrical planned maintenance to

the Council's Operational Building portfolio.

8. Chief Financial Officer Comments

- 8.1 The Chief Financial Officer confirms the level of budget available for corporate property maintenance as stated in paragraph 13.3 and is satisfied that the proposed contractor is financially viable having been assessed against Haringey's criteria. 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 September 2008.
- 8.2 As highlighted in paragraph 13.1, the contract should deliver reduced unit costs for planned activity, reduced reactive maintenance and therefore increased value for money.

9. Head of Legal Services Comments

- 9.1. This report is recommending the award of two lots of work together in one service contract 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.
- 9.3. As noted in paragraph 5.2 above, Members previously approved the award of this contract on 31st March 2009. However during the 10-day EU mandated standstill period preceding conclusion of the contract, Legal Services was notified of a challenge to the award by one of the tenderers. The basis for the challenge was reviewed by Corporate Property Services together with Corporate Procurement with advice from Legal Services. The conclusion was that the original evaluation process was not fully compliant with EU rules. However it was open to the Council to remedy this by reissuing to the short-listed parties revised invitations to tender which ensured full compliance.
- 9.4. Based on the rerun, more robust tender process, the contractor indicated in paragraph 1 of Appendix A has been recommended for award of the combined contract on the basis that it submitted the combination of tenders for the lots that together represent the Most Economically Advantageous tender. This 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.
- 9.5. The contract value for the combined Boilers and M&E contract exceeds £250,000. As a result the proposed award must be approved by Members in accordance with CSO 11.03 which says that the Cabinet must award all contracts over this value.
- 9.6. 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 contract covered by this report is included in the Forward Plan.

9.7. The Head of Legal Services confirms that there are no legal reasons preventing members from approving the recommendations in paragraph 4 of this report.

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

10.1. The Cabinet Procurement Committee on 31st March 2009 approved the award of the Boiler Mechanical and Electrical contract as one of three planned maintenance contracts subsequently in accordance with OJEU procedures the award was then challenged by an unsuccessful contractor pertaining to the evaluation process. It was concluded it was not fully compliant with EU law as set out in the Public Procurement Regulations 2006 and subsequent associated case law.

10.2. Following consideration of the challenge, the Boiler Mechanical and Electrical evaluation model was re-issued for clarification to the original tenderers following a review of the original document and evaluation process by the Construction Procurement Group and Legal Services along with Property Services.

10.3. Tenders were then evaluated using the criteria of 60% quality and 40% price assessment.

10.4. The Head of Procurement supports the recommendation that the award should be for the discounted combined lots 1 and 2 to the tenderer referred to in Appendix A, as the tenderer submitting the most economically advantageous tender following the price/ quality evaluation process.

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 three operatives from existing contractors and the recommended contractor operates 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. TUPE implications have been fully considered and incorporated into the tender specifications.

13. Service Financial Comments

13.1. The specification for this contract has 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 previously incurred on planned maintenance.

13.3. A corporate maintenance revenue budget of £1,582K is available within Corporate Property Services of which approximately £300k is allocated for the boiler mechanical and electrical 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**
- Cabinet Procurement Committee report approved on the 31st March 2009 entitled **Contracts for Planned Maintenance**.

15.2. This report contains exempt and non-exempt information. 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).