

**Report of: Report of Head of Leeds Building Services Commercial Management**

**Report to: Director of Resources and Housing**

**Date: 21 June 2018**

**Subject: Tender evaluation results and proposed award of contract for Retro-fitting Automatic Sprinkler Systems to domestic properties – High Rise Blocks**

Are specific electoral Wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, name(s) of Ward(s):		
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		
<p><b>Appendix 1</b> to this report has been marked as confidential under Access to Information Procedure Rules 10.4 (3) on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) which, if disclosed to the public, would, or would be likely to prejudice the commercial interests of that person or of the Council.</p>		

## Summary of main issues

- 1.1. In order to further progress Leeds City Council's programme of retro-fitting sprinkler systems to our high-rise blocks a key decision was taken by the Director of Resources and Housing in January 2018. This was to approve the waiver of contracts procedure rules 9.1 and 9.2 – high value procurements and award a contract to Armstrong Priestley in order to complete a minimum of eight additional tower blocks plus any further identified priority schemes up to a maximum of £3.76 million; the contract would expire on 31 January 2021, with the option to extend for a further period of 12 months.
- 1.2. The sprinklers specialist work to date has been undertaken by Armstrong Priestley (following a previous competitive tender process) in conjunction with Leeds Building Services. The new contracting arrangements enables that to continue.
- 1.3. In line with that decision, tender contract documentation was prepared for a single supplier framework contract as the most appropriate contract basis to take this forward. Armstrong Priestley provided a tender that has now been evaluated.

- 1.4. Immediately following framework contract award, we plan to take forward the call-off process and contract for eight blocks to implement the January key decision in full.
- 1.5. Subsequent call-off contracts under this framework agreement up to its maximum available value will be separate decisions with separate contract awards.

## **Recommendations**

1. It is recommended that the Director of Resources and Housing
  - 1.1. Approves the award of the sprinklers framework agreement to Armstrong Priestley, for the previously agreed sum of £3.76m, now that the tender has been evaluated. The framework agreement will commence 25 June 2018 for a period of 2 years and 9 months to end 31 January 2021, with the option to extend for a further 1 x 12 month period, at the sole discretion of the Council; and
  - 1.2. Approves the award of the first call-off contract from the framework for sprinkler works to eight high rise. The estimated value of the first call-off contract is £1.27m for works programmed to be delivered from September 2018 until November 2020 (based on the estimated programme from LBS).

## **1 Purpose of this report**

- 1.1 The purpose of this report is to document the procurement process undertaken for the new sprinklers contract with Armstrong Priestly , including how the tender was evaluated, to appoint the preferred provider to the framework agreement for retrofitting sprinklers, and then to subsequently appoint that contractor for the first call-off contract for the eight blocks.

## **2 Background information**

- 2.1 To date the council has completed the retro-fitting of sprinklers to six high-rise blocks. In addition, works are currently underway at two further blocks to complete the current contract which was won in competitive tender for five blocks.
- 2.2 In order to deliver the remaining retro-fitting of sprinkler systems to Leeds high rise blocks a new contract was needed to continue to provide the specialist works, working alongside the Leeds Building Services (the internal service provider) who undertake the enabling activity including joinery.
- 2.3 The key decision was taken by the Director of Resources and Housing in January 2018 to approve the waiver of contracts procedure rules 9.1 and 9.2 – high value procurements and award a contract to Armstrong Priestley in order to complete a minimum of eight additional tower blocks plus any further identified schemes up to a maximum of £3.76 million. The contract would expire on 31 January 2021, with the option to extend for a further period of 12 months.

## **3 Main issues**

- 3.1 Following consideration of potential contracting options with the service and with legal colleagues, it was agreed to create a single supplier framework agreement, with orders placed as NEC3 ECC Option A contracts (lump sum) when there are agreed packages of works, for example for the first package of blocks.
- 3.2 This approach represented the best fit for the organisation in relation to providing longer term security of a specialist contractor to install sprinklers, and having the right contract mechanism to enable appropriate ordering and delivery of works and their management by LBS for time and cost as new contracts can be put in place as and when batches of blocks for works are agreed. Clear time and lump sum costs would then be in place for contract management.
- 3.3 The new contract arrangements have also been an opportunity to make sure the contract requirements are up to date, for example in relation to any role the contractor may have as a data processor, and for the technical specification for works as advised by the Corporate Fire Safety Manager.
- 3.4 To enter into the direct agreement Armstrong Priestley was invited to submit their tender on 2<sup>nd</sup> May 2018, the closing date was 30<sup>th</sup> May 2018. The tender period included an initial meeting and a site visit with the contractor to discuss any questions related to the contract documents face to face and to receive clarifications; the bidder submitted a tender prior to the deadline.

- 3.5 As only one bid was to be evaluated, a percentage price to quality split was not appropriate. In the previous competitive process for the current contract with Armstrong Priestly the evaluation was 70% price: 30% quality. This time, price was separately assessed for value for money, and quality was scored in relation to adequacy/excellence of response. Information relating to this process and the scoring were detailed within the published tender documentation.
- 3.6 The price evaluation was undertaken by a Quantity Surveyor in the Commercial Team, Housing Leeds Property and Contracts. Full details of this price evaluation can be found in Appendix 1.
- 3.7 The quality evaluation panel comprised of the following Resources and Housing officers from LBS (Team Manager), and the capital programme Planned Works Team Leader. They were supported by consultees including the Corporate Fire Safety Manager, and the Employment Access & Growth service.
- 3.8 The panel assessed the quality submissions individually before coming together with the procurement officer's support to arrive at a consensus score. The criteria for quality included the following, similar to under the previous competitive process:
- Mobilisation
  - Programme resourcing and delivery
  - Quality of, and maintaining, technical competency
  - Management of materials and supply chain
  - Resident engagement and safeguarding
  - Employment and Skills
- 3.9 Following the resolution of any queries, the evaluation team are satisfied that, from the information on quality and price, the contractor will carry out the works to a high standard and are above that of the British Standard that is set for sprinkler installations. The pricing is value for money.
- 3.10 The overall evaluation/due diligence process has not identified any significant risks in terms of awarding the contract to the successful bidder. They have the capacity, resource and experience within this operational field of work deemed necessary to deliver the service requirement.
- 3.11 In addition the organisation has been assessed to ensure adequate policies are in place to support the delivery of this provision, including Insurance, and Safeguarding. A financial check has also been carried out to ensure they are not a risk to the authority. Results of this process will be kept on file.
- 3.12 A contract management plan is being compiled and will be reviewed at monthly contract meetings to ensure clear roles and responsibilities. This will ensure robust and proactive management of the framework contract and its call-off contracts throughout the agreement term.
- 3.13 As soon as the framework agreement is awarded we plan to take forward the call-off contract with Armstrong Priestley for the first package of works, which is eight blocks. The key decision report noted that these works were expected to be to

the value of £1.2m; the expected cost will now be £1.27m based on the schedule of rates under the framework for the updated specification.

## **4. Corporate Considerations**

### **4.1. Consultation and Engagement**

- 4.1.1. In preparation for the January key decision, the proposals for delivering the sprinklers programme were subject to extensive discussions with the senior elected members and officers of the Council. The Lead member for Housing and the Director of Resources and Housing was supportive of the investment works being delivered, and the Chief Procurement Officer was consulted about the proposed waiver. The key decision report was published and was not called in.
- 4.1.2. To develop the contract approach and documentation and undertake the procurement there has been joint working between Leeds Building Services and Housing Leeds, including the capital programme team and Corporate Fire Safety Manager. Project and procurement staff have been involved throughout the process, and commercial and legal advice on has been secured from Procurement and Commercial Services.
- 4.1.3. There has also been close engagement with the two private finance initiative management organisations (Yorkshire Transformations Limited and Sustainable Communities 4 Leeds) that each manage a block where sprinkler works are planned to be undertaken. This has been in relation to contractual issues including insurance arrangements to make sure that any concerns they have are appropriately resolved.
- 4.1.4. Leaseholder consultation processes have not been necessary, given a previous decision taken that any leaseholders will not be charged for sprinkler retro-fitting works.
- 4.1.5. As part of normal business processes, residents of blocks that are planned to receive sprinkler works are consulted and engaged with in advance of works being started on site. Consultation events take place on site and Ward Members and the Area Office are also part of this consultation process. Mock-ups of the sprinkler systems are put up in communal areas to enable residents to see what the sprinklers look like. We also have a dedicated on site team that is on site to deal with any resident queries.

### **4.2. Equality and Diversity / Cohesion and Integration**

- 4.2.1. An Equality, Diversity, Cohesion and Integration (ECDI) impact assessment for sprinkler systems was completed and was an appendix to the January 2018 key decision report. Key actions identified, such as tenant profiling and robust consultation processes for each block form part of the ongoing delivery of the works and the contract management plan.

### **4.3. Council policies and Best Council Plan**

- 4.3.1. These essential works support the Council's Best Council plan directly through supporting a number of the key outcomes for people in Leeds including:

- Be safe and feel safe
- Enjoy happy, healthy, active lives
- Live in good quality, affordable homes within clean and well cared for places

4.3.2. The contract will also support the 2018/19 Best City priority of inclusive growth, with the contractor committed to work with the council on the Employment and Skills agenda. In particular in providing work experience to those still at school, and apprenticeships through Leeds Building College, they also are committed to providing social value. Armstrong Priestley is a Leeds based company that prides itself on employing local people and supports career growth as an organisation.

#### **4.4. Resources and value for money**

4.4.1. The project team had consistency throughout the procurement process with representation from Leeds Building Services, Housing Leeds, and commercial/legal support from Procurement & Commercial Services.

4.4.2. Due diligence was undertaken on price to ensure that the rates are realistic and sustainable, and offer value for money to the council taking into account the factors outlined in the key decision report. No minimum values are being guaranteed to the contractor.

4.4.3. The overall terms and conditions have also been reviewed and updated.

4.4.4. The works to be delivered are funded by the HRA (Housing Revenue Account). Housing Leeds Property & Contracts commission Leeds Building Services to undertake the sprinkler retrofit works, and they contract with the contractor to undertake the specialist elements.

4.4.5. The budgets and estimated total capital costs associated with the sprinkler works are within the 10 year Housing Leeds Investment Plan and are in line with estimates reported annually to Executive Board as part of the Capital Programme approval.

#### **4.5. Legal Implications, Access to Information and Call In**

4.5.1. This report is a subsequent decision of a previous Key Decision and is therefore a Significant Operational Decision which is not subject to call in.

4.5.2. The value of this contract is below the threshold for the application of the Public Contract Regulations 2015 (the Regulations).

4.5.3. The tender was evaluated in accordance with the evaluation criteria set out in the tender documents and therefore, provided the works are still required and affordable, the bidder is able to be appointed to the framework agreement and any call-off contracts then undertaken.

4.5.4. Appendix 1 of this report is exempt under the Access to Information Procedure Rules 10.4.3. The public interest in maintaining the exemption in relation to the confidential Appendices outweighs the public interest in disclosing the information

and financial details which, if disclosed would adversely affect the business of the Council and the business affairs of the organisations involved.

- 4.5.5. Each future call off for a package of work for the contractor will require a separate contract award in line with the NEC3 framework approach, and separate Delegated Decision reports in line with the council's Contract Procedure Rules.

#### **4.6. Risk Management**

- 4.6.1. This contract enables the reduction of risk to residents of the council's high rise blocks by delivering retro-fitting of sprinklers.
- 4.6.2. In taking forward the development of the contract approach and documentation, risks have been considered and mitigated. For example the form of contract promotes good management of works in relation to time and cost; the contract terms and conditions have been reviewed to reduce the risk of potential contractual issues with the PFI organisations; and the engagement of the Corporate Fire Safety Manager in activity should make sure that we have an appropriate specification and approach for the works to be delivered.
- 4.6.3. In relation to management of risks in relation to works delivery and during contract management, a risk register is in place. Housing Leeds and Leeds Building Services will continue to work with the contractor to monitor and mitigate any risks. The risk register is reviewed on a monthly basis and updated accordingly.

### **5. Conclusions**

- 5.1. The contract and procurement approach taken to enact the decision made to waive Contracts Procedure Rules in relation to high value procurements and award a contract to Armstrong Priestley, has been taken forward with joint working between Leeds Building Services, Housing Leeds, and Procurement & Commercial Services.
- 5.2. The tender evaluation has taken into consideration both quality and price, and the contractor is considered appointable to the single supplier framework agreement and thus contracts for packages of work under the framework.
- 5.3. The framework contract award, and immediately following that the call-off process and contract for eight blocks, will implement the January 2018 key decision.

### **6. Recommendations**

- 6.1. It is recommended that the Director of Resources and Housing
  - 6.1.1. Approves the award of the sprinklers framework agreement to Armstrong Priestley, for the previously agreed sum of £3.76m, now that the tender has been evaluated. The framework agreement will commence June 2018 for a period of 2 years and 9 months to end 31 January 2021, with the option to extend for a further 1 x 12 month period, at the sole discretion of the Council; and
  - 6.1.2. Approves the award of the first call-off contract under this new framework for sprinkler works to high rise blocks. The estimated value of the first call-off contract is £1.27m for works programmed to be delivered from September 2018.

## **7. Background documents<sup>1</sup>**

- 7.1. Appendix 1 – Tender analysis report
- 7.2. January 2018 key decision: report and documents – [Link](#)

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.