

**Report of Head of Leeds Building Services**

**Report to Director of Resources and Housing**

**Date: 7<sup>th</sup> February 2019**

**Subject: Contract Award for contractors to support Leeds Building Services' delivery of full or partial electrical upgrades of communal areas in high rise residential properties.**

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: 10.4 (3) Appendix number: Appendix 1 - Confidential Tender Analysis	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Summary**

**1. Main issues**

- To support Leeds Building Services (LBS) growth and delivery this report seeks approval to award a contract for full or partial electrical upgrades to communal areas in a number of high rise residential properties in the city.
- This report demonstrates the procurement process undertaken and the results from a tender exercise, utilising Constructionline, to identify good quality electrical domestic rewiring and CCTV specialists to support LBS and seeks approval to award contracts to two external contractors.

**2. Best Council Plan Implications** (click [here](#) for the latest version of the Best Council Plan)

The award of this contract will enable the delivery of full or partial electrical upgrades to communal areas in a number of high rise residential properties in the city and therefore contribute to key objectives within the Best Council Plan by:

- Housing – Ensuring our housing is kept safe and secure.

- Safe Strong Communities - Keeping people safe from harm, and protecting the most vulnerable by keeping our residents safe.

### **3. Resource Implications**

- 1.1.1 The works will have a named Project Manager at LBS and resources set aside (from LBS Delivery Team) to manage the contract and facilitate the contractors in gaining access in to the housing blocks. This is to ensure the contractor adheres to the programme of works.
- 1.1.2 The Project Manager will have the assistance of financial and commercial support from a dedicated Housing Leeds team.

### **4. Recommendations**

- a) The Director of Resources and Housing is recommended to note the content of this report and approve the award of a contract to two external contractors for full or partial electrical upgrades to communal areas in a number of high rise residential properties in the city for the period of 10<sup>th</sup> February 2020 to 9<sup>th</sup> October 2020 with estimated expenditure of £2m, with the option to extend for a further 6 month period. The proposed contractors are:
  - SSE Contracting Limited
  - Foster Electrical Contractors Limited
- b) The Director of Resources and Housing is asked to note that the estimated contract value over the term of the contract of 8 months is £2,000,000.

## **1. Purpose of this report**

- 1.1 The purpose of this report is to document the procurement evaluation process undertaken and to seek approval to the award of contracts for the initial 8 month term of this contract and to note the provision to extend based on the progress of the works.

## **2. Background information**

- 2.1 The procurement strategy report as required under CPR 3.1.6 in order to invite external competition was approved in August 2019, with an effective date of decision from 16<sup>th</sup> August 2019. This report considered appropriate procurement options and approved the use of inviting contractors from 'Constructionline' to a tender, as the manner in which to proceed with an external procurement competition. This report also acted as the Key decision under the Constitution.
- 2.2 Property and Contracts have provided LBS with a workload to deliver approximately £3m of full or partial electrical upgrades to approximately 43 high rise residential properties, for CCTV upgrades and any high rise communal rewires included to be completed by the end of the contract term. The affected wards are Alwoodley, Killingbeck & Seacroft, Burmantofts & Richmond Hill, Gipton & Harehills, Hunslet & Riverside, Roundhay, Little London & Woodhouse, and Armley. LBS do not currently have the internal capacity to deliver the works directly and are proposing

to contract out approximately £2,000,000 per annum, shared between two external contractors.

- 2.3 LBS has the capacity to deliver approximately £1m worth of upgrades via their internal workforce which is currently ongoing, however, due to the tight deadline, they are seeking support from external contractors.

### 3. Main issues

- 3.1 The proposal to establish a contract for an 8 month period, starting in February 2020 to October 2020 with the option to extend for a further 6 months will help support the LBS work programme. The 6 month extension is there as a contingency, should issues occur that will delay the progress of the works such as access to tenant's properties, any such matters would be dealt with as contract variation.
- 3.2 An Expression of Interest inviting contractors from 'Constructionline' was issued on 27<sup>th</sup> August 2019 and 15 suppliers were subsequently invited to tender having responded positively to the opportunity. By the tender return date out of the 15, 3 submitted tenders and 2 opted out. Feedback has been requested from the contractors who did chose not to bid, to which the majority of feedback received confirmed contractors did not have the capacity to bid.
- 3.3 Originally we wished to appoint 4 contractors to undertake the works over the contract term, however, only two compliant bids were received and evaluated. The planned works will be allocated to the two external contractors proposed for award on a 60%/40% split basis, subject to satisfactory performance.
- 3.4 The 3 contractors who submitted a bid were assessed on a 60% price, 40% quality basis. The evaluation team comprised of 2 officers from Leeds Building Services and 2 officers from Housing Leeds.
- 3.5 Following the completion of the quality evaluation , a summary table is listed below;

<b>Organisation</b>	<b>Quality Score (400 Points)</b>
SSE Contracting Limited	280.00
R J Electrical Limited	No Quality Submission received
Foster Electrical Contracting Limited	178.50

- 3.6 The Council's Commercial Quantity Surveyor team within Property and Contracts was responsible for evaluation of priced submissions. Bidders were required to complete a schedule of rates for the works which was then applied to a sample scheme for evaluation .The pricing schedule consisted of a schedule of rates for rewire and CCTV containment with indicative quantities.
- 3.7 The cheapest price submitted received maximum points available – details of the scores for price evaluation are shown in the table below.

<b>Organisation</b>	<b>Price Score (600)</b>
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	<b>Points)</b>
Foster Electrical Contracting Limited	600.00
SSE Contracting Limited	547.60
R J Electrical Limited	Did not meet minimum quality threshold

3.8 The tenderer with the lowest total price achieved the highest score available for price and the other tenderer received a reduced score based on calculating the percentage difference between them and the lowest price and deducting this percentage from the maximum score available.

3.9 The combined Quality and Price Scores were as follows:

<b>Organisation</b>	<b>Quality Score (400 points)</b>	<b>Price Score (600 Points)</b>	<b>Total (out of 1000 points)</b>	<b>Rank</b>
SSE Contracting Limited	280.00	547.60	827.60	1 <sup>st</sup>
R J Electrical Limited	Disqualified as did not submit response to quality submission.			
Foster Electrical Contracting Limited	178.50	600.00	778.50	2 <sup>nd</sup>

3.10 Full details of both the quality and pricing review can be found in the Appendix 1 Confidential Tender Analysis.

3.11 The two organisations who are recommended for the contract award are:

- SSE Contracting Limited
- Foster Electrical Contracting Limited

3.12 Whilst it is noted that the original report proposed the contract would be awarded to up to four contractors to work city-wide, only 2 compliant tenders were received by the deadline. To enable the delivery of works on time both contractors are required in order to provide the capacity required to meet the programme and rates are deemed comparable and value for money. Therefore, and after further due diligence the recommendation is to appoint the two tenderers above.

3.13 In accordance with the tender documents the works will be allocated to the successful contractors with a higher % allocation to the contractor who scores highest overall on the price/quality evaluation with the remaining % to be allocated to the second placed contractor based on the value of the works. Based on current workload it is anticipated that both contractors will be used to their maximum capacity and the rates of both are considered to represent value for money.

- 3.14 As part of the tender process we have clarified with both contractors requesting their capacity and financial size and based on these clarifications it has been confirmed the increase in work will be accepted by both contractors.
- 3.15 The established contract including allocation of work packages will be managed by LBS, who will develop and implement a Contract Management Plan. This will ensure that any underperformance is efficiently identified and appropriate action taken.
- 3.16 LBS are comfortable that two contractors will be sufficient to deliver the full requirement of the contract, after clarifications with the contractors during the tender process regarding capacity.
- 3.17 In addition, the rates submitted by the successful contractors have been benchmarked against current and historic 'industry' rates and are deemed to be within acceptable parameters for work of this nature.
- 3.18 Prior to award, financial checks have been undertaken for both contractors to ensure there is no risk to the authority. The results will be kept on file.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 Consultation and Engagement with council stakeholders have taken place when developing the procurement work stream as well as assessing the tenders when they were returned. This has involved the Projects, Procurement and Contract Management team and LBS. When necessary, legal advice has been sought from the Procurement Legal team.

### **4.2 Equality and diversity / cohesion and integration**

- 4.2.1 An Equality and Diversity Screening was carried out and completed when we asked for the procurement strategy to be approved in August 2019. This indicated that there was no expected impact on the protected characteristics of individuals and therefore it was not applicable to do an EDCI impact assessment.

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

- 4.3.1 We ensured that the procurement was undertaken with a view to ensure openness, transparency and fairness and in line with the Council's Contract Procedure Rules (CPRs).

#### Climate Emergency

- 4.3.2 At Full Council on 27th March 2019, Leeds City Council passed a motion declaring a Climate Emergency. In addition, the Leeds Climate Commission have proposed a series of science based carbon reduction targets for the City so that Leeds can play its part in keeping global average surface temperature increases to no more than 1.5c.
- 4.3.3 One element is to reduce carbon emissions. How we are trying to achieve this is by scheduling the works so that sites nearby are worked on at similar times. Through shared travelling and bulk deliveries to site, this will reduce the impact on each area and help to reduce the frequent travelling of staff and materials.

#### **4.4 Resources, procurement and value for money**

4.4.1 This contract will be managed by LBS, who will develop and implement a Contract Management Plan which will include performance reporting processes and how payments will be made. Whilst the performance indicators and service standards will be the same for both internal provider and external contractor there is a need to have separate plans due to the differences in communication with the contractor, payment processes and reporting mechanisms. LBS are working to develop a draft contract management plan for review prior to contract award.

#### **4.5 Legal implications, access to information, and call-in**

4.5.1 Given that the Key Decision has already been taken, this decision is a Significant Operational Decision as it is as a consequence of the original Authority to Procure, and is not subject to call-in. Other than confidential Appendix 1, there are no grounds for keeping the contents of this report confidential under the Access to Information Rules.

4.5.2 The information in Appendix 1 of this report has been identified as exempt/confidential under the Access to Information Rules 10.4 (3). The public interest in maintaining the exemption in relation to the confidential Appendix 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 a number of individual companies.

4.5.3 In making their final decision, the Director of Resources and Housing should note the above comments and be satisfied that the course of action chosen represents best value for the Council.

#### **4.6 Risk management**

4.6.1 Key areas to monitor and potential areas of risk are:

4.6.1.1 Establishing robust specifications and ensuring the contractors are working compliantly within the required specifications.

4.6.1.2 Ensuring the identified contractors are managed effectively with robust contract management plans being identified and actively implemented.

4.6.1.3 LBS will ensure that regular contract meetings take place throughout the duration of the contract and they will monitor Performance Measures/KPI's that are included within the specification and Contract Management Plan. LBS will ensure performance standards are met by the contractors and if they are found to be underperforming and failing to meet minimum standards, appropriate action will be taken to rectify the cause of failure.

4.6.1.4 Budgets will be monitored regularly to ensure that they're on track with expected levels of spend.

4.6.1.5 There is a risk that once the contract is awarded, a contractor(s) may not accept the work/may fall into financial difficulty. Financial checks have already taken place and both contractors are financially stable. If they reject work packages,

LBS will closely monitor the contractor(s) and identify reasons for rejection of the work.

## **5. Conclusions**

- 5.1 There is a requirement from LBS to deliver £3,000,000 of CCTV and communal rewiring works to approximately 43 communal areas in high rise blocks across the city on behalf of Housing Leeds, per annum.
- 5.2 We therefore undertook a procurement process in accordance with the Council's CPRs with guidance and support from the LBS Team, in order to meet this requirement.
- 5.3 The requirement has now been through a robust tender process and two contractors have been successful in their submissions. Whilst it is noted that the original report proposed the contract would be awarded to up to four contractors to work city-wide, only 2 compliant tenders were received by the deadline. Therefore, after further due diligence, the recommendation is to appoint the two tenderers. LBS are comfortable that two contractors will be sufficient to deliver the full requirement of the contract, after clarifications with the contractors during the tender process regarding capacity.

## **6. Recommendations**

- 6.1.1 The Director of Resources and Housing is recommended to note the content of this report and approve the award of a contract to two external contractors for full or partial electrical upgrades to communal areas in a number of high rise residential properties in the city for the period of 10<sup>th</sup> February 2020 to 9<sup>th</sup> October 2020 with estimated expenditure of £2m, with the option to extend for a further 6 month period. The proposed contractors are:
  - SSE Contracting Limited
  - Foster Electrical Contractors Limited
- 6.1.2 The Director of Resources and Housing is asked to note that the estimated contract value over the term of the contract of 8 months is £2,000,000.

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

- 7.1 None.

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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.