

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 18 AUGUST 2015

TERM CONTRACTS FOR ELECTRIC TESTING OF COUNCIL HOUSES (INCLUDING MINOR REPAIRS) – PROCUREMENT AUTHORITY APPROVAL REQUEST

REPORT BY HEAD OF TECHNICAL AND PROPERTY SERVICES

ABSTRACT

Report seeking authority for the proposed procurement as the maximum value of each contract is above the Chief Officer's delegated authority limit.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:

- (i) notes the indicative estimated overall cost of £1,100,000 electrical testing and minor repairs within Council Houses, Communal Areas and Sheltered Housing Schemes with a contract period of two years from 1 April 2016 to 31 March 2018 with the option to extend the contracts for a further two year period to 31 March 2020;
- (ii) approves the procurement authority, as contained in this report, in accordance with the process stated in section 16.8 of the Financial Regulations;
- (iii) notes the financial implication included in Section 6 of this report.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN

2.1 This report contributes to the following local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- We have a sustainable economy with good employment opportunities
- Our natural and built environment is protected and enjoyed

3. BACKGROUND

3.1 In order to comply with the latest electrical regulations Council Housing electrical systems must be inspected and tested on a five yearly basis. This has previously been carried out on an ad-hoc basis and this procurement authority reports seeks to regularise the testing process. This process will also identify any issues with the electrical systems and by carrying out any minor repair works will ensure that all Council Housing stock meets the minimum electrical regulations requirements.

3.2 This testing regime will also provide Housing with detailed information on the state of the electrical systems in their current stock. This will allow future rewiring of houses to be more accurately identified and included at an early stage in their maintenance programmes.

3.3 An initial range of electric testing was carried out as part of a programme of upgrading existing smoke detector systems in Council Houses. This was to identify the issues with carrying out the electrical testing including the extent of repairs that may be required. Based on the experience gained term contracts are to be put in place following the procurement process detailed in this report.

4. SCOPE OF CONTRACTS

- 4.1 The electrical testing and minor repair works will run from the 1 April 2016 to 31 March 2020 (including extensions) and the procurement is to have two contract lots as detailed in Section 5.3 of this report. This work will be carried out to the remaining balance of the approximately 5,000 Angus Council Housing properties together with sheltered housing communal areas and common stairwells which require to be electrically tested over the next four years. As the electrical testing proceeds any minor repair works which are required to be carried out will be undertaken by the appointed contractor. Both contracts are to be fixed price for a two year period from 1 April 2016 to 31 March 2018. Thereafter the option will exist for the contracts to be extended for a further two year period to 31 March 2020.
- 4.2 Following the completion of the contracts for this programme of electrical testing and minor repairs a further procurement authority report will be presented to Committee to enable future compliance with the electrical regulatory legislation. The majority of repairs to the properties electrical systems will have already been carried out previously it is envisaged that the next programme will involve electrical testing only.

5. PROCUREMENT AUTHORITY

Objectives

- 5.1 The main objective is to regularise the Council's requirements to meet electrical regulatory legislation relating to five yearly electrical testing of social housing. The procurement of these services will ensure that Angus Council continues to meet its legal obligations and demonstrates the commitment to properly maintaining the Council's housing stock.
- 5.2 These contracts will ensure the Council meets its ongoing regulatory requirements as a landlord under the IEE Wiring Regulations BS: 7671:2008: Amendment 1, the Housing (Scotland) Act 2006 and the current Building (Scotland) Regulations.
- 5.3 It is proposed that the project is divided into two lots of relatively equal size split between the seven council burghs on geographic lines. The split of the project into lots will ensure that there are no breaks in the electrical testing and repair regime. Splitting the project into two lots also provides opportunity to local and national contractors including SME's to bid for the contracts.
- 5.4 The tender evaluation process will be carried out in accordance with Financial Regulations for contracts over £500k in value and be carried out as set out in Section 5.19 of this report. The contracts will include community benefit clauses to encourage participation in apprenticeships and community benefit engagement by the successful bidders and exclude bidders who use prohibited (black) lists.

Sourcing Route/ Collaborative Opportunities/ Mitigating the Procurement Risks

- 5.5 Collaborative procurement opportunity details relating to this project were passed to Tayside Procurement Consortium (TPC) on the 30 June 2015. Confirmation was received on the 8 July 2015 that based on the size, type and timescale of the proposed programme there are currently no opportunities for collaborative procurement. This will be reviewed in the future as part of any procurement strategy for delivery of a similar programme.
- 5.6 The council has considered a range of possible sourcing routes available to carry out testing and repairs and upgrading type works to Council Housing. These include producing individual tenders, issuing Schedule of Rates orders, running mini-competitions through framework agreements and requesting quotations. Based on the anticipated high level of responses that is expected the preferred option is the application of a two-stage tender process. By restricting invitations to tender to a maximum of eight bidders this promotes equality and creates an attractive business opportunity for bidders.
- 5.7 There have been issues with contractor performance and continuity of service with previous similar programmes and the Council wishes to mitigate this risk by having two contract lots and awarding the contracts to two separate contractors as set out in Section 5.3 of this report.

With two contract lots the Council is in a position to react quickly if one of the contractors defaults and the testing and repair regime can be maintained until alternative permanent arrangements are put in place.

- 5.8 The conditions of contract will include clauses allowing for the recovery of any additional costs if appropriate, which may be incurred by the Council through having to set up a contract with an alternative contractor, from the defaulting contractor. The Service Manager – Property, shall report such actions to Committee. The appropriate level of governance will be applied to the termination / default and appointment of any contractors in accordance with Financial Regulations clauses 16.19.2 (failure to comply with terms and conditions) and 16.24.10 (c) (direct award - including prematurely terminated contracts).
- 5.9 As noted in the financial implications section the electrical testing element is approximately 75% of the value of the overall contracts value of £1,000,000. In accordance with EU Public Procurement procedures these contracts are designated 'service' contracts. Therefore as the combined 'service' cost of £750,000 is above the current EU procurement threshold of £172,514 additional EU procurement procedures will apply.
- 5.10 The contract opportunity will be advertised on Public Contracts Scotland in line with Council policy in September 2015 and the estimated date for award of contract will be March 2016. Any capable local contractor will be identified and steps taken to alert them to the bidding opportunity prior to advertisement of the contract.
- 5.11 Procurement will be through a two stage process which will require contractors to submit a Pre-Qualification Questionnaires (PQQ) and those bidders who satisfy the minimum qualification criteria will be invited to submit a tender. The Invitation to Tender will include a schedule of items for electric testing and repairs to be priced by the bidders. The evaluation methodology will be as set out in Section 5.17 of this report. The tender documentation will incorporate standard Scottish Building Contract 2011 (with approximate quantities) conditions, contract specific preliminaries, community benefit clauses and pricing documents
- 5.12 Following the evaluation of the (PQQ), it is anticipated that invitations to tender will be issued in November 2015 and returned during January 2016. Tenders will be evaluated in accordance with Section 5.19 of this report and the projected date for award of contract is March 2016 with the contracts commencing in April 2016. The initial contract period is for two years up to March 2018 with the option to extend for a further two years until March 2020. A two year contract with a two year extension option is considered the most beneficial to the Council as it allows a decision to be taken to invite competition or to extend the contract taking into account contractor performance and best value.
- 5.13 This report details the funding arrangements and procurement for the proposed Term Contracts for Electric Testing of Council Houses (including minor repairs) that fall within the procurement authority requirements contained in Financial Regulations (FR) 16.8. This procurement is not considered to be a "major procurement" in terms of Financial Regulation 16.8.4. Approval of this report would mean that, subject to the overall costs following receipt of the tenders being considered to offer value for money, the contracts can be accepted without the need for approval by the relevant Committees. In accordance with the current arrangements the contract award will be the subject of an Information Report and will be available on the 'Information Hub'.

Sustainable Procurement Considerations

- 5.14 In accordance with standard practice Technical and Property Services has integrated whole life costing within its best practice design approach to new build and refurbishment projects. The type and extent of the works procured under these contracts are not appropriate for the direct application of whole life costing techniques.
- 5.15 Due to the nature of the contracts it is not possible to identify sufficient materials with a high recycled content. Therefore the target of 10% by value of recycled content in property related construction projects valued over £1 million cannot be readily calculated in this case. Where possible, any material specified in the contract documents will include an element of recycled content.

Procurement Procedure

- 5.16 The procurement of the lotted term contracts will follow a two-stage 'restricted' tender procedure as the best means of procuring the works. There is anticipated to be a high degree of interest in tendering for this work and based on similar projects this process will allow the Council to select a list of up to eight of the most appropriate bidders to receive tender documents.
- 5.17 The first stage PQQ assessment will include:
- Minimum requirements for: business probity, criminal convictions, financial evaluation in line with current Council Policy, technical capability/expertise, Health & Safety, prohibited lists, equalities and contractual issues.
 - Comparative evaluation of: previous relevant experience, technical references/statements, level of resources/capability, community benefit awareness and environmental awareness.
- 5.18 The second stage will comprise issuing tender documents to those bidders who satisfy the minimum qualification criteria. The tender returns will be evaluated in the line with the following contract award criteria.

Contract Award Criteria

- 5.19 The tenders from each lot will be evaluated on the basis of the most economically advantageous tender (MEAT) having regard to the following criteria which are weighted according to importance. Price is to be given a weighting of 70%, with the other quality related criteria listed below to be given a total weighting of 30% in accordance with the Financial Regulations.
- Resources and Supervision – 5%: Tenderers to identify number, role, qualifications and management of staff.
 - Project Management/ Administration – 5%: Tenderers to identify administration process to ensure compliance with legislation.
 - Adaptability - 5%: Tenderers to identify innovative working practices.
 - Quality and Performance – 5%: Tenderers to identify process and procedures to ensure quality and performance of the contract is maintained at appropriate levels.
 - Level of Technology – 5%: Tenderers to identify innovative use of electronic systems.
 - Community Benefit – 5%: Tenderers to identify community benefits to be provided as part of this procurement to meet the Councils' requirements.
- 5.20 Once the tenders have been evaluated, as noted above then acceptances will be issued to the tenderers providing the highest MEAT score. If the same tenderer receives the highest score in both contract lots a further assessment will be carried out, the methodology will be contained in the invitation to tender documents. In this case acceptances will be issued to the best placed first and second placed tenderers following the assessment.

6. FINANCIAL IMPLICATIONS

- 6.1 As these contracts incorporate a number of "responsive" repairs, i.e. they are not predictable but arise during the course of a year, it is therefore not possible to accurately predict the total cost of any contract. Following on from the experience gained in the 'pilot' contracts noted in section 3.3, a more accurate cost model for the proposed term contract has been prepared.
- 6.2 The small number of initial electrical tests and minor repairs which were carried out in the 'pilot' contracts indicated that the electrical test on average would be in the region of £150 per

property. The minor repairs on average would be in the region £50 per property dependant on the age and condition of the electrical system. This indicates that the total cost would be approximately £200 per property. Based on these figures the proposed contract costs would be estimated at:

- Two four year term contracts (including extensions) for 5,000 properties (including sheltered housing communal areas and common stairwells: £1,000,000

6.3 Internal fees and other charges would be estimated to be in the region of 10% and will be dependent on the level of supervision required to be out in place following detailed discussions with Housing.

6.4 The estimated total cost above represents an overall cost of approximately £1,100,000 subject to fluctuations in costs and final fee levels. Based on the anticipated programme of works the Housing Revenue Account (HRA) planned maintenance would require to allow for base funding of £275,000 per annum from 2016/2017 to 2019/2020.

6.5 Whilst provision related to the outcome of the tender returns will be required within future years' HRA Planned Maintenance Programme budgets to accommodate the annual expenditure on this project, members will note that a continuation of the current level of provision is expected to be sufficient to cover the initial 2 years of the contract. Should the extension options be actioned, the budget provision will require to be reviewed.

6.6 The expected cost of the initial two year contract phase of £550,000 will accordingly be factored into the Housing Revenue Account during the upcoming 2016/17 rent setting budget process.

7. OTHER IMPLICATIONS

Risk/ Mitigating Action

7.1 An assessment is being undertaken for this procurement and has initially identified risk associated with the ensuring continuous delivery of the electric testing and repairs over the contract period to allow the Council to comply with current regulations. Currently no other significant risks have been identified. Technical and Property Services and Housing have extensive experience of procuring contracts of this nature in a timely manner and every measure will be taken to ensure that these contracts are effectively managed. The assessment of risk for this procurement has initially identified the following :

<u>Risk</u>	<u>Mitigating Actions</u>
Continuity of Service/ Ensuring Bidding Opportunity	Splitting into two contract lots by geographical area and restricting award of one contract lot per contractor. Two year contract duration with the option to extend for a further two years.
Ensure Local SME Involvement	Advertisement of the bidding opportunity and alerting local suppliers of the bidding opportunity prior to publishing the contract notice.

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

- Corporate Services Committee 20/10/08 Report No 1040/08 – Sustainable Sourcing of Timber and Timber Products for Property Construction Projects

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