

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Procurement Strategy for Mechanical and Electrical Services (SC/2024/22)	
REPORT OF Cabinet Member for Better Homes	
FOR SUBMISSION TO Cabinet	DATE 9 October 2024
STRATEGIC CONTEXT The work outlined in this report supports the ambitions set out in We Make Camden, making sure Camden has enough decent, safe, warm, and family-friendly housing to support its communities.	
SUMMARY OF REPORT This report sets out a proposed procurement strategy for six contracts to cover Camden’s Mechanical and Electrical (M&E) services requirements for Council owned housing. The Council as landlord has statutory obligations to service, maintain and replace M&E equipment associated with the properties it owns. This includes communal heating systems, bulk gas networks, electrical installations, lifts and door entry systems. These are important areas of compliance for the Council to manage and performance is reported as part of our regular and constructive dialogue with the Regulator of Social Housing. For our tall buildings, management of these assets will form part of the Building Safety Case that will be shared with residents and reported to the Building Safety Regulator. The report is coming to Cabinet because based on 2024/25 budget forecast figures the total revenue value for Mechanical and Electrical Contracts is £117.642m over the term of the contracts. It is proposed that the contracts have an initial fixed term with an option to extend for 1-year periods. Contract terms range from a total of 5 years to a total of 10 years (see Table 1). Cabinet is asked to agree the proposed procurement strategy for leaseholder consultation. A Cabinet decision is required because of the value and proposed lengths of these contracts. Please note that an evaluation is currently taking place on a proposal to deliver individual heating services in-house. Should this prove feasible a separate report will be considered through the appropriate governance processes. Local Government Act 1972 – Access to Information No documents that require listing were used in the preparation of this report.	

Contact Officer:

Tony Castle, Head of Repairs, 79 Holmes Road, London, NW5 3AP, telephone – 07729 463496, e-mail – Tony.castle@camden.gov.uk.

RECOMMENDATIONS

1. Having due regard to the equalities impact assessment (Appendix 1 of the report), and the obligations in section 149 of the Equality Act 2010 to approve the procurement strategies for leaseholder consultation for 6 (six) contracts:
 - (i) for the provision of Communal Heating North,
 - (ii) for the provision of Communal Heating South,
 - (iii) for the provision of Bulk Gas Maintenance,
 - (iv) for the provision of Electrical Services
 - (v) for the provision of Lift service and maintenance and
 - (vi) for the provision of Ancillary Services.

It is proposed that each contract will have an initial fixed term (as set out in Table 1 below) with an option to extend in 1-year increments. And that the procurement would be through a single-stage tender process using the Open Procedure pursuant to procurement regulations, based on an evaluation weighting of 60% price and 40% service delivery and quality assessment (including 10% social value).

2. To delegate authority to the Director of Property Management in consultation with the Cabinet Member for Better Homes and the Executive Director Corporate Services to approve the procurement strategy having regard to the outcome of Section 20 leaseholder consultation and taking into account the Council's equalities duties (including the Equality Impact Assessment and any updates thereto)
3. To delegate the decision on each contract award to the Executive Director Supporting Communities

Signed:



Gavin Haynes - Director Property Management

Date: 27th September 2024

1. CONTEXT AND BACKGROUND

- 1.1. This report sets out a proposed procurement strategy for six contracts to cover Camden's Mechanical and Electrical Services requirements for Council owned housing for leaseholder consultation. The Council as Landlord has statutory obligations to service, maintain and replace mechanical and electrical equipment associated with the properties it owns. This includes communal heating systems, bulk gas networks, electrical installations, lifts and door entry systems.
- 1.2. These are important areas of compliance for the Council to manage and performance is reported as part of our regular and constructive dialogue with the Regulator of Social Housing. For our tall buildings, management of these assets will form part of the Building Safety Case that will be shared with residents and reported to the Building Safety Regulator.
- 1.3. The report is coming to Cabinet because based on 2024/25 budget forecast figures the total value for mechanical and Electrical Contracts is £117.642m over the term of the contracts. It is proposed that the contracts have an initial fixed term with an option to extend for 1-year periods and range from a total of 5 years to a total of 10 years. A Cabinet decision is required because of the value and proposed lengths of these contracts.
- 1.4. At present these services are provided by third party contractors procured in 2015 starting 2016. The contracts will be re-procured so that we can incorporate the Council's latest requirements, reflect learning from the current contracts and directly appoint specialist providers.
- 1.5. Table 1 below sets out the proposed contract lengths. Each contract will have an initial fixed term followed by the option to extend in 1-year increments. The estimated values are based on current forecasts and the budgets for 2024/25 will be adhered to. The new contracts will aim to start in April 2026. Budgets for these services for 2026/27 onwards will be based on the award.

1.6. **Table 1**

Table 1		
Contract	Term	Estimated Contract Value
Contract 1a – Communal Heating North (Current Mechanical Services Contractor – GEM)	7 years with option to extend for up to an additional 3 years in increments of 1 year up to a maximum term of 10 years	£2.685m p.a (excl. VAT) £26.850m total value (excl. VAT) £3.222m p.a (incl. VAT) £32.220m total value (incl. VAT)
Contract 1a – Communal Heating South (Current Mechanical Services Contractor – GEM)	7 years with option to extend for up to an additional 3 years in increments of 1 year to a maximum term of 10 years.	£2.685m p.a (excl. VAT) £26.850m total value (excl. VAT) £3.222m p.a (incl. VAT) £32.220m total value (incl. VAT)
Contract 2 – Bulk Gas Heating – Servicing and Maintenance (Current Mechanical Services Contractor – GEM)	5 years with option to extend for up to an additional 2 years in increments of 1 year up to a maximum term of 7 years.	£0.565m p.a (excl. VAT) £3.955m p.a. total value (excl. VAT) £0.678m p.a (incl. VAT) £4.746m total value (incl. VAT)
Contract 3 – Electrical Services (Current Electrical Services Contractor – Openview)	3 years with an option to extend for up to an additional 2 years in increments of 1 year to a maximum term of 5 years.	£3.064m p.a (excl. VAT) £15.320m total value (excl. VAT) £3.677m p.a (incl. VAT) £18.384m total value (incl. VAT)
Contract 4 – Lift Maintenance (Current Lift Maintenance Service Contractor – Apex)	7 years with an option to extend for up to an additional 3 years in increments of 1 year to a maximum term of 10 years	£1.389m p.a (excl. VAT) £13.890m total value (excl. VAT) £1.667m p.a (incl. VAT) £16.668m total value (incl. VAT)
Contract 5 – Ancillary Services (Current Ancillary Services Contractor – SCCI Alphatrack)	7 years with an option to extend for up to an additional 3 years in increments of 1 year to a maximum term of 10 years.	£1.117m p.a (excl. VAT) £11.170m total value (excl. VAT) £1.340m p.a (incl. VAT) £13.404m total value (incl. VAT)

- 1.7. Please note that an evaluation is currently taking place on a proposal to deliver individual heating services in house. Should this prove feasible, a separate report will be considered through the appropriate governance.
- 1.8. Each contract will attract a dedicated social value return. This will be based on the four Missions set out in the We Make Camden strategy further broken down into seven workstreams from the LBC Social Value Tracker which focus on.
- Opportunities advertised
 - Apprenticeship and training

- Access to jobs
- Supply chain diversity
- STEAM and Career Workshops
- Improving Communities
- Clean, Vibrant and Sustainable places

2. PROPOSAL AND REASONS

- 2.1. These services are currently delivered by specialist M&E contractors and our strategy builds on past experience. These specialist areas require close management as they form part of the Council's statutory requirements as landlord. However, the Council would still like to build in new performance management requirements, particularly from the Regulator of Social Housing, and ensure that investment from the capital programme is fully optimised by comprehensive and high-quality maintenance.
- 2.2. The Council can adopt Key Performance Indicator (KPIs) procedures from the forthcoming Procurement Act 2023 to provide transparency and demonstrate performance management. By establishing performance driven KPIs and publishing them, the Council can provide clear metrics for stakeholders to view, holding contractors accountable during contract delivery. Through the procurement process, the Council will also explore the scope to incentivise performance through the payment mechanism. Contract KPIs will focus on areas such as core servicing and compliance activity, attendance to repairs in target time, post inspection pass-rates and keeping appointments with residents.
- 2.3. Separating Communal Heating into two contracts will increase the likelihood that specialist service providers will bid for the contract which in turn will ensure better service delivery to the Council as well as a level of resilience should one contractor fail to perform.
- 2.4. The specification of the new contracts will explicitly state that data held within Council systems will be the 'one version of the truth' to report to the Regulator for Social Housing. Additionally, the specification will include a requirement to transfer information back to the Council in real-time or near real-time so as to populate reports for all stakeholders.
- 2.5. The proposed initial contract period is considered normal and necessary for contracts of this size and complexity. The Council wants to ensure bidders have a secure contract that will enable them to mobilise and get to fully understand the assets they are responsible for, invest time and effort in local recruitment of staff and partnering with local supply chain partners and embedding long term service improvement processes for example using better information and communication technology (ICT) systems.

- 2.6. The option to extend in increments of 1 year gives the Council flexibility towards the end of the initial period to either terminate and re-procure immediately or reward a well performing service provider with additional contract terms. During the extension period the Council will have complete flexibility to award 1 year or multiple years depending on: performance, economic factors at the time and political will to in-source / continue outsourcing.
- 2.7. The varying contract terms would allow the Council to continue its review of service delivery and the extent to which other service lines may be brought in-house in the short to medium term. The Council considers that delivering some of the services using directly employed staff will provide greater control over performance and service, and bring additional benefits around sustainable resourcing.
- 2.8. In each procurement exercise, it will be essential to assess the contractor's ability to provide a well-structured service and ensure access to experienced resources, such as senior engineers, to deliver a robust and responsive service. Contractors must also confirm their capability to work with the existing equipment within the housing stock, particularly if it involves specialised or proprietary systems like "closed protocol" equipment. They will also be required to set out their strategy for storing and / or accessing commonly used components to make sure down time is minimised when systems or equipment fails. The Council will also be looking at their administrative capacity and their ability to support good communications and a responsive service to our residents.
- 2.9. A brief description of the services that are to be procured are:
- **Communal Heating North & South** - contractor to provide planned preventative maintenance, repairs and be the resilience lead for the following service areas:
 - Communal heating systems in boiler rooms
 - Heat metering
 - **Bulk Gas Services and Maintenance** - contractor to provide planned preventative maintenance, repairs and be the resilience lead for the following service areas:
 - Bulk gas network
 - **Electrical Services and Maintenance** - contractor to provide planned preventative maintenance, repairs and be the resilience lead for the following service areas:
 - Communal Electrical installations
 - Domestic electrical testing and remedial works
 - Lightning conductor maintenance
 - Communal Mechanical Ventilation
 - Mechanical Ventilation with Heat Recovery ('MVHR')

- **Lift Services and Maintenance** - contractor to provide planned preventative maintenance, repairs and resilience lead for the following service areas:
 - Passenger Lifts in blocks
- **Ancillary Services** - contractor to provide planned preventative maintenance repairs and be the resilience lead for the following service areas:
 - Door entry systems
 - Roller shutters and gates
 - CCTV

3. OPTIONS APPRAISAL

- 3.1. **Open procedure** – this option is recommended. The proposed procurement approach is to conduct a single stage tender process for each of the six contracts following the Open Procedure under the current regulations, PCR 2015.
- 3.2. The proposal is to procure these services in the 16 months leading up to contract expiration mobilising for April 2026 start.
- 3.3. It was anticipated to procure under the new Procurement Act 2023 (PA2023) that was due to come into effect from 28 October 2024. However, on 12 September 2024, the Cabinet Office announced that PA 2023 was going to be delayed and a new date of commencement was given as 24 February 2025. If the stage one consultation with leaseholders concludes early February, then subject to the further decisions set out in the delegations to this report the intention is contracts will be sought under the current regulations which are well understood. Should consultation extend to late February, the tender process will be adapted to comply with the PA 2023.
- 3.4. Given the low level of interest generated from the two-stage restricted procedure used in 2016, where limited numbers of applicants responded to the Contract Notice, it is proposed instead to conduct the procurement by way of the 'Open Procedure'.
- 3.5. A contract notice will be placed in the government's Find a Tender Service (FTS) on Contracts Finder and on ProContract for 'London Borough of Camden's Mechanical & Electrical Services contracts'.
- 3.6. In the Open Procedure, any interested party responding to the Tender Notice will be invited to tender. There is no option to include a separate selection stage in the Open Procedure and so the Council will be required to evaluate all of the tender responses received.
- 3.7. It is essential the evaluation model rewards the tenderer submitting the highest quality bid at the right price. Mechanical and Electrical maintenance contracts are highly regulated and follow a prescribed set of processes necessary to

maintain plant and equipment to the specified standards of statutory compliance. In that regard, Contractors will each follow almost identical, prescribed servicing routines that limits the scope for any difference or innovation in their delivery methodology.

3.8. Accordingly, the evaluation ratio will place a higher weighting on Price, 60% of the marks available, and 40% on Quality, where 10% of the quality marks will be allocated to Social Value. Price will be evaluated on the basis the lowest acceptable tender sum is awarded the highest mark.

3.9. Contracts being procured are summarised in the table below:

Contract name	Term	Estimated Contract Value (using current 2024/25 prices)
Contract 1a – Communal Heating –North	Maximum term of 10 years	£32.220m total value (incl. VAT)
Contract 1b – Communal Heating South	Maximum term of 10 years	£32.220m total value (incl. VAT)
Contract 2 – Bulk Gas Heating – Servicing and Maintenance	Maximum term of 7 years	£4.746m total value (incl. VAT)
Contract 3 – Electrical Services	Maximum term of 5 years	£18.384m total value (incl. VAT)
Contract 4 – Lift Maintenance	Maximum term of 10 years	£16.668m total value (incl. VAT)
Contract 5 – Ancillary Services	Maximum term of 10 years	£13.404m total value (incl. VAT)

3.10. It is expected that the new contracts will commence on 1st April 2026 with individual terms specific to each workstream. The varying contract terms allows the Council to continue its review of service delivery and the extent to which other service lines may be brought in-house in the short to medium term. The Council considers delivering some of the services using directly employed staff will provide greater control over performance and service, and brings additional benefits around sustainable resourcing.

3.11. Cabinet is asked to agree the procurement strategy for leaseholder consultation as a specific leaseholder consultation exercise will be undertaken for these contracts and to approve a delegation to the Director of Property Management in consultation with the Cabinet Member for Better Homes and the Executive Director Corporate Services to approve the procurement strategy having regard to the outcome of the Section 20 leaseholder consultation and taking into account the Council’s equalities duties. Cabinet is also asked to delegate the decision on each contract award to the Executive Director Supporting Communities.

3.12. **Use external public frameworks**_– this option is not recommended. The Council does use external public frameworks from time to time. A framework could be used to procure the contracts rather than advertising the tenders through a Tender Notice under PCR 2015. In this instance the main constraint is that the services required by the Council do not always correspond to the agreed descriptions and pricing schedules.

- 3.13. The Council would be required to pay a fee to the Framework Provider that are typically between 0.75% and 2% of the annual contract value. Based on the overall contract value of circa £11m, fees of around £100k would be payable.
- 3.14. Any of the incumbent Contractors that wish to bid again, may not be signed to the framework selected.
- 3.15. **Camden Specific Framework** – this option is not recommended. The Council does commission frameworks. However, the four-year term of a framework is not sufficient for Camden’s requirements for these Contracts. The structure of a framework would also not suit these services, which require regular planned preventative maintenance and repairs, inspections and some more major repairs/replacements. Therefore, this option lends itself to a term contract.
- 3.16. **Insource areas other than individual heating** – this option is not currently recommended. The primary function of all the services mentioned in this paper is to ensure that LB Camden fulfils its legal obligations as a landlord across a diverse range of assets and systems.
- 3.17. For communal heating, bulk gas, electrical services, lifts and ancillary services it is not currently recommended to bring these services in house as contractors are better able to spread their overheads related to specialist equipment, accreditation and achieve economies of scale. The works and services covered also require specialist engineers that would require supplementary pay grades above the Council’s standard terms and conditions. The current labour market is incredibly competitive and the risk of initial employment as well as on going retention of specialist staff to deliver statutory, health & safety related services is too great. The contract terms for electrical services and bulk gas are slightly shorter however as the Council will explore the scope to insource these service areas during the contract period and options will be brought forward to members prior to the respective contract end dates.
- 3.18. All delivery options have been considered for individual heating. This service area is considered better suited to direct delivery as most modern boilers have long warranty periods and this benefit can accrue to the Council rather than the contractor. Also, the work, while specialised, is confined to domestic appliances and the Council will be better able to secure and maintain the necessary resources. There is also no overhead for specialist equipment in the same way there would be for lifts for example.

4. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

4.1. The table below identified risks and control measures that will be put in place:

Risk	Control Measures / Mitigations
Affordability of tenders	Tender contract sums will be independently scrutinised and assessed against the pre-tender estimates for this work.

Market response	Specialist suppliers will be alerted to the opportunity and the tender documentation will make sure that specialist providers are not excluded.
Service continuity and compliance maintained	The Council will make sure there is a sufficient mobilisation period so that servicing and inspection programmes can be maintained.
Small to medium sized enterprises (SMEs) do not apply	The Council will tailor the process to encourage SMEs. Actively monitor interest, including placing advertisements on commonly used portals

5. CONSULTATION/ENGAGEMENT

- 5.1. The Council will update Tenant and Resident Associations, and the District Management Committees on this procurement strategy. The Housing and Fire Safety Panel will also be updated. The Council will also look at how resident representatives can be involved in the evaluation process.
- 5.2. **Soft Market test** - Whilst it was felt the value and scope of the proposed new contracts would be attractive to the market, it was acknowledged the procurement in 2015 attracted a limited response. The services to be re-procured are complex and there is a relatively small pool of specialist contractors in the market with the requisite competencies and experience. Accordingly, consultants Savills undertook some informal market testing in July 2024 with nine contractors known to them, including three of the incumbents, to gauge the level of interest in each contract and to obtain views on how the contracts might be best packaged.
- 5.3. The exercise was informal in that a Prior Information Notice (PIN) was not published inviting interested contractors to participate. In the short time available and given the relatively small market place, it was felt a PIN would be unlikely to attract many more than the nine contractors contacted direct.
- 5.4. Each contractor was invited to respond to a questionnaire seeking their views on the scope, term and value of each contract, the proposed form of contract, the evaluation approach, and which of them they'd be interested in bidding for. In summary, the findings were:
- i) There was limited but sufficient market appetite for all six contracts.
 - ii) All contractors agreed the proposed pricing model was appropriate and attractive to them.
 - iii) All confirmed they were comfortable with the proposed NEC 4 form of contract.
 - iv) All were content with the proposed evaluation model and welcomed a fair evaluation process.
 - v) All understood the required route to market and expressed an interest in tendering following the Open Procedure.
- 5.5. A specific leaseholder consultation exercise would also be undertaken for these contracts with a notice of intention being issued before the procurement exercise and a notice of proposal issued prior to the appointment of suppliers.

- 5.6. The Equalities Impact Assessment is appended at Appendix 1. It emphasises the need for appointed suppliers to be sensitive to the needs of Camden's communities, also to make sure that leaseholder consultation processes are inclusive.

6. LEGAL IMPLICATIONS

- 6.1. The proposed use of the Open Procedure under the Public Procurement Regulations 2015 (PCR 2015) to procure the 6 contracts will comply with the Council's obligations under Contract Standing Orders (CSOs) to competitively tender contracts of these values. CSOs require Cabinet to approve this strategy. The report notes that if the tenders are advertised after 24 February 2024 they will have to be advertised to align with the new Procurement Act 2023. PA 2023 includes additional reporting and publishing requirements, including but not limited to mandating the publishing of KPIs but this is being voluntarily proposed even if the Council is procuring under PCR 2015.

7. RESOURCE IMPLICATIONS

- 7.1. This report sets out a proposed approach to the procurement of six separate but concurrent contracts to cover Camden's Mechanical and Electrical maintenance requirements for Property Management within Housing Revenue Account (HRA) from 1st April 2026 to 31st March 2036.
- 7.2. There are currently five contracts in place providing the services being procured and these contracts are due to end on 31st March 2026.
- 7.3. There is £11.5m in 2024/25 budget that will fund the six contracts and inflation increases will be allowed as part of the annual budget setting process based on corporate guidelines. No MTFS savings are associated with these contracts.
- 7.4. An estimate has been provided of the contract value per annum and in total above (see Table at point 1.7).
- 7.5. The annual cost of the contracts need to be contained within the resources allocated to Property Management. If the tender value exceeds available budget during the term of the contract, this will create a budget pressure that will require reduced expenditure elsewhere in Property Management.

8. ENVIRONMENTAL IMPLICATIONS

- 8.1. The Contracts will have a low environmental impact in operation involving for the most part, the electronic transfer of information. The use of physical transportation will be minimal and where the use of transport is necessary, to visit a site for example, the use of public transport should be the first consideration.
- 8.2. The procurement process is being designed to ensure that environmental improvements (including carbon footprint reduction and improved air quality)

are incorporated into the evaluated bidder method statements and will form an objective weighted part of the final selection process.

- 8.3 **Green Travel** Bidders will need to demonstrate they have in place, policies that work toward reducing CO2 and greenhouse gas emissions. They will need to have a green travel plan and will encourage remote working/working from home where possible. All meetings will be held virtually where possible and any travel to sites will be via public transport.
- 8.4 With regard to site visits and travel to and from work the successful supplier will be required to comply with the 'Camden Green Vehicle Fleet Standard for Contractors and Service Providers' which includes a commit that when using small vans ("light commercial vehicles") up to 3,500kg, as a minimum to meet Euro 6c (diesel or petrol). "Heavy – duty diesel engines" and "Large Goods Vehicles" shall be Euro VI. Alternatively hybrid or zero emission vehicles may be used (if hybrid, the internal combustion engine shall be a minimum Euro 6c or Euro VI).
- 8.5 These standards will be required to be complied with at all times and a monitoring report will be required to be submitted to provide evidence of compliance in accordance with the contract requirements.
- 8.6 **Recycling & Waste Management** Bidders will need to demonstrate how they manage and recycle office waste as appropriate and have set procedures in place in order to limit the affect their waste has on the environment.
This includes:
- Ensuring good waste management protocols with any material or product that can be eliminated, reused, recycled or reclaimed by others after use should be disposed of in this manner (this is inclusive of storage methods awaiting disposal)
 - Delivering training & awareness sessions to relevant persons as to how to effectively separate waste
 - Considering the life cycle of product when making the initial purchase (i.e. preference given to purchasing products or materials which are long-lasting)
 - Ensuring the supply chain has appropriate waste management plans and licenses relevant to the potential waste materials to be produced.
- 8.7 **Energy Usage & Carbon Management** Bidders must commit to reducing energy usage and carbon emissions by, for example:
- Ensuring they implement good waste management protocols for all materials and products and selecting products that can be reused and recycled
 - Switching off un-used equipment in order to save energy
 - Ensuring all equipment is utilising power saving or energy efficient modes
 - Including energy rating within our purchasing protocols
 - Effectively communicating and training all workers in relation to energy usage
 - Measuring carbon footprint on a regular, planned basis and setting new reduction targets
 - Reducing use of paper and other office consumables (by for example using duplex printing, multiple prints per sheet).

- Encouraging the promotion of energy efficiency measures throughout all projects
- Aiming to continually improve their environmental performance and reduce CO2 emissions
- Where generators or temporary boilers will be used contracts will be required to factor in 'Environmental impacts' and including a provision for minimising impacts both in terms of carbon emissions and air pollution, and nuisance/disturbance for residents. This could include, for example: careful positioning of the temporary plant; selecting Stage V generators and where possible using hybrid power technologies; using low-emission heating plant; working with the Council to create a temporary power/heat provision standard to support sustainability.

9. TIMETABLE FOR IMPLEMENTATION

9.1.

Key milestones	Indicative date (or range)
Procurement strategy report – (Cabinet)	October 2024
Stage 1 Leasehold Consultation	November 2024
Tender advert	February 2025
Deadline for return of Selection Questionnaires	April 2025
Tender evaluation and clarification period	May 2025
Stage 2 Leasehold Consultation	August 2025
Contract Award Report – (Executive Director Supporting Communities, Cabinet Member for Better Homes)	TBC
Contract Award (TG2) – CPB	TBC
Contract signature / sealing	November 2024
Transition to the new arrangements	Dec 2025 – Mar 2026
Contract start date	April 2026

10. APPENDICES

Appendix 1 – Equalities Impact Assessment

REPORT ENDS