


London Borough of Waltham Forest

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| Report Title | Procurement of a new Mechanical and Electrical Contract for the Council's Corporate Estate. |
| Meeting / Date | Cabinet, 3 rd December 2024 |
| Cabinet portfolio | Councillor Ahsan Khan, Deputy Leader (Housing and Regeneration)  |
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| Wards affected | All |
| Public access | Open except for Appendix 2 - FM Procurement - M&E Financial Backing Data - which is exempt in accordance with Section 100(A-H) of the Local Government Act 1972 and Schedule 12A as amended, on the grounds that it involves the likely disclosure of exempt information as defined in Part 1, paragraph 3, it contains information relating to the financial or business affairs of any particular person (including the authority holding the information) and disclosure would not be in the public interest. |
| Appendices | Appendix 1 – Equalities Screener Appendix 2 - FM Procurement - M&E Financial Backing Data (Exempt) |

Summary

- 1.1 This report seeks approval of the procurement strategy as detailed, to establish a new contract from the 1st October 2025 for the provision of Mechanical and Electrical services to the Council's assets. The Council's existing Mechanical and Electrical Services contract with Aston Heating Limited t/a Aston Group is part of the wider Facilities Management operating model and is due to expire on 30th September 2025. There is a one year extension available (1st October 2025 – 30th September 2026), however this will not be taken.
- 1.2 In accordance with the original award of contract, the current agreement was extended for the first term of 12 months which now expires on the 30th September 2025. Facilities Management do not wish to utilise the one year extension period, therefore it is the Council's intention to proceed with the procurement for a new long term contract. This will

capture Council wide mechanical and electrical services for the Boroughs corporate assets.

2. **Recommendations**

2.1 Cabinet is recommended to:

2.1.1 Approve the procurement strategy detailed in this report for a restricted procurement process to be undertaken in order to appoint a single provider in respect of Mechanical and Electrical Services for a proposed contract term of 4 years from 1 October 2025 with options to extend for two 1 year extension periods (1+1).

3. **Proposals**

3.1 As a responsible employer and/or Landlord, there is a need to set out the proposed procurement strategy to meet the ongoing requirement for provision of mechanical and electrical services to the Council's estate. This is to provide compliant, clean, safe places of work for all employees, workers and residents and take their welfare needs into account to meet our legal duties. The Council requires use of mechanical and electrical term maintenance contracts to (i) ensure property and asset fitness for purpose, (ii) maintain health and safety, (iii) maximise viable life expectancy, and (iv) ensure statutory compliance.

3.2 As part of the Strategic Commissioning Board review, a pre-market engagement exercise and spend analysis has been carried out to help inform the Council's proposed procurement strategy.

3.2.1 **Existing Contract**

Following the outcome of a restricted procurement process, the existing mechanical and electrical contract was awarded to Aston Heating Limited t/a Aston Group at Cabinet on the 9th July 2020 for mechanical and electrical services commencing the 1st October 2020 to 30th September 2024 and consisted of the following scope:

The provision of Mechanical & Electrical maintenance services to be delivered to the Authority for specified properties. The contract includes the provision of planned preventative maintenance, remedial repairs from servicing, reactive breakdown repairs and small plant replacement projects.

3.2.2 **Demand Management**

Mechanical and Electrical Services is provided to approximately 138 buildings across the Borough including corporate, libraries, parks and depots and whilst engaging with key stakeholders across the Council

throughout the contract period some lessons learnt have been captured which has helped to inform this proposed procurement strategy.

3.2.4 Due to the Council current financial pressures flexibility will still apply with this contract to futureproof the Council's need to maximise their assets. The pricing schedule will allow for appropriate demand management arrangements to be applied and enable services to be called off as and when required, with the volume of sites and/or services to decrease/increase in accordance with the Council's instructions. The pricing schedule will reflect the contract requirements relating to the business hours of working, out of hours rates and ensure they reflect compliance with the London Living Wage as a minimum. The pricing schedule will be subject to annual increases in line with Consumer Prices Index (CPI). The contract will contain a right for the Council to terminate the contract giving six months prior notice. .

3.2.5 Following the outcome of the commissioning review and stakeholder engagement, the following recommended proposed scope of contract is to include the following which remains as per the previous contract:

Mechanical and Electrical Services

- Statutory Compliance
- Planned Preventative Maintenance
- Reactive Call Out Services
- Remedial works
- Small minor works projects

3.2.6 The outcomes from the new Mechanical and Electrical contract to be achieved are:

- A quality, corporate mechanical and electrical contract that ensures our buildings are safe, compliant and well maintained to meet the expectations of residents, service users and ensuring adherence to engineering standards in line with Chartered Institute of Building Services Engineers (CIBSE) guidelines.
- The Council have specialist mechanical and electrical arrangements that are both flexible and meets the future needs to the Council and take a holist approach to the provision arrangements.
- The Council is provided with the most cost effective and efficient means of monitoring and analysing mechanical and electrical performance data.
- Innovative ways of building maintenance with efficiencies.

3.2.7 Proposed Procurement Route

The Council has considered a number of commissioning options which are reflected within this document. Following the outcome of stakeholder meetings and pre-market engagement, it was agreed the best approach would be for a single provider to be applied via a restricted tender route including Supplier Selection Questionnaire and Invitation To Tender

stages to encourage SMEs to have the opportunity to tender. TUPE will apply to this contract and this will follow the appropriate HR procedures which will be reflected within the final Invitation to Tender pack.

3.2.8 The proposed contract will be based on the Councils standard terms and conditions for a professional mechanical and electrical contract with no guarantee of business reflected. It is anticipated the price will be fixed. The proposed contract term is to be based on 4 years with an option to extend for a further two years (4+1+1) up to a maximum term of six years.

3.2.9 The tender responses will be evaluated by:

- Assistant Director Property Management - Place
- Head of Operations Facilities Management
- Technical Consultant
- Contract Manager (x2)

3.2.10 It is proposed to proceed with a 40% Quality / 50% Price tender evaluation, with 10% Social Value included within the Quality scoring and to ensure the Council receives quality submissions and a good performing contract there will be minimum scoring criteria throughout the tender.

3.2.11 The proposed breakdown of Quality weighting can be shown below and includes Social Value:

| Criteria | Weighting |
|---|------------------|
| Delivery of Preventative & Planned Maintenance and Statutory Compliance | 15% |
| Management & Operational Structure | 5% |
| Delivery of Breakdowns and Reactive Maintenance | 10% |
| Contract Management | 5% |
| Mobilisation including TUPE | 5% |
| Social Value | 10% |

A minimum quality score threshold will be applied, whereby if a bidders method statement response is allocated with a score less than 2, then its entire tender submission will be rejected.

3.2.12 The proposed breakdown of Pricing weighting can be shown below:

| Description | Weighting % |
|---|-------------|
| Table A - Planned Maintenance | 20% |
| Table B - Schedule of Rates (Labour) | 10% |
| Table C – Fire, Water and Asbestos | 5% |
| Table D – Schedule of Rates (Project Works) | 5% |
| Table E - Materials & Consumables | 10% |
| TOTAL | 50% |

3.2.13 Following the restricted procedure in accordance with Public Contract Regulations 2015 (PCR 2015), the Council will publish the invitation to tender pack (ITT) which includes the Supplier Selection Questionnaire (SSQ) via the London Tenders Portal. The ITT pack will include an overview of the evaluation methodology to provide transparency on how the tender responses will be assessed and evaluated with the relevant steps to be taken. A moderation session will take place to enable the Council to determine the consensus score following the assessment of the quality method statement responses and agree the final feedback to be given to the unsuccessful bidders. Following the completion of the evaluation, the Bidder with the highest combined qualitative and pricing score will be recommended to Cabinet for the award of the contract.

3.2.14 **Contract Management**

The contractor performance will be reviewed in accordance with the Councils governance structure and monthly, quarterly and annual contract performance meetings will be held to discuss KPI performance. The KPIs and benchmarking are used to allow the Council to:

- Set performance targets at the outset of the Contract.
- To monitor performance over the lifetime of the Contract.
- Benchmark performance to provide a basis for continuous improvement.
- Develop the use of KPIs to ensure they are challenging and fit for purpose.

3.2.15 There are various KPIs to monitor the mechanical and electrical contractor's performance as follows:

- Monitoring of performance across the whole service including customer satisfaction.
- KPIs which measure performance against statutory compliance and planned maintenance tasks.

- Provision of quotations are provided within a timely manner.
- Reporting and the production of certification and reports in a timely manner as per the specification.
- Accurate and prompt invoicing.

3.2.16 In order to maintain quality, regular joint audits with the awarded provider will take place whereby performance outputs and continuous improvement will be identified as part of the contract, however the contractor is expected to self-monitor performance as part of this contract.

4. Options & Alternatives Considered

| Option Summary | Relative Advantage | Benefit | Disbenefit | Score |
|--|--|---|--|--------------|
| Do nothing | There is no advantage, the Council will be put at risk if they do nothing. | This option is <u>not recommended as this puts the Council at risk of no longer being compliant in line with procurement regulations.</u> | The Councils corporate buildings would no longer be compliant in accordance with the Health and Safety at Work Act 1974 and the Council will be failing in their duties as landlord. The Council will also be in breach of PCR 2015. | 0 out of 10 |
| Procure via a framework | The advantage to using a framework will be speed, therefore less resource and time to complete the process being required. | Faster procurement process as using a framework will ensure all pre-checks are completed in advance. This option is <u>not recommended as there will be limited opportunity for local SMEs to register their interest as many will not be registered with frameworks.</u> | Not many SMEs can access frameworks and LBWF will be limited on who they can approach to invite for tender. Most frameworks also charge a fee or increase their schedule of rates to include a fee so the Council may not receive value for money. | 6 out of 10 |
| Issue invitation to tender via Restricted procurement process. | The advantage using the restricted ITT process will be to gain strong interest from a healthy engineering market. | By using the SSQ and ITT process will then enable to Council to get good interest from the market and take through at least 6 bidders to ITT stage. <u>This is the recommended option as this will enable the Council to complete a compliant tender process with good interest from all engineering companies especially SMEs.</u> | Utilising the SSQ and ITT route uses more time and resources. | 10 out of 10 |

5. Council Strategic Priorities (and other National or Local Policies or Strategies)

- 5.1 Mission Waltham Forest sets out the Council's plan for more equal borough by 2030. It is our commitment to all our residents to tackle the fundamental challenges facing them and drive the change within the Council that is needed to achieve this.
- 5.2 Our six Borough Missions and four Council Missions are designed as challenges for ourselves as an organisation and serve as our commitments to our residents. They will organise Council activity and galvanise us to come together and work more collaboratively.
- 5.3 This means a "One Council" approach, where we seek collective agreement on how we best use our time, attention and resources in a way that best serve our residents.
- 5.4 Mission Waltham Forest is a testament to our unwavering dedication to putting residents at the heart of everything we do. It signals our relentless focus on equality and opportunity for everyone.

6. Consultation

- 6.1 The Council has engaged with end users via regular meetings regarding the performance of the existing contract and collated lessons learnt which has been reflected within the proposed procurement strategy. The current contract is well managed by Facilities Management, however, to ensure the Council remains compliant with PCR2015 a new contract needs to be procured.
- 6.2 Due to the specialist nature of this contract, there is no opportunity to collaborate with other departments and authorities. Facilities Management are happy to support other departments should there be a need to use the successful contractor for ad-hoc works as long as these are not to the detriment of the Mechanical and Electrical contract delivery.

7. Implications

7.1 Finance, Value for Money and Risk

7.1.1 The Corporate Mechanical & Electrical (M&E) contract will be met from the Current General Fund Revenue Budget. However due to the Council current financial pressures flexibility will still apply with this contract to future proof the Council's need to maximise their assets and therefore needs to be delivered within existing budgets. The pricing schedule will allow for appropriate demand management arrangements to be applied and enable services to be called off as and when required, with the volume of sites and/or services to decrease/increase in accordance with the Council's instructions.

7.1.2 The Value for Money Checklist has been reviewed and completed and an Options Appraisal can be shown below:

7.1.3 This proposal will ensure the Council gets better outcomes for residents with the same money because the contract is being procured on a like for like basis. However, as this contract is linked to Statutory Compliance which is a requirement by law, the Council will continue to evaluate mechanical and electrical services provided and will actively work and encourage the new provider to be innovative with new ways of working and put forward savings through efficiencies.

7.1.4 The Council will be requesting bidders to submit their price based on CIBSE guidance and manufacturers guidance/best practice, however the specification states for the successful contractor to submit innovations which could potentially lead to savings. Within the pricing schedule where maintenance tasks are not required as part of Statutory Compliance, these will be adjusted accordingly.

7.1.5 Should the Council do nothing but continue to not proceed with this option, this would leave the Council unable to fulfil its obligations as a responsible Employer and be in breach of PCR 2015, therefore this is not recommended.

7.2 Legal

7.2.1 The Council has the power under section 1 of the Localism Act 2011 to do anything (subject to certain exception) that an individual may generally do and the proposed procurement would be enabled under that power. It also has the power under section 111 Local Government Act 1972 to do anything incidental to, or which facilitates or is conducive to the exercise of any other Council function. The proposed procurement as detailed in this report can therefore be undertaken under these powers.

7.2.2 Section 1 of the Local Government (Contracts) Act 1997 provides that every statutory provision conferring or imposing a function on a local authority confers power on the local authority to enter into a contract with

another person for the provision or making available of assets or services, or both, (whether or not together with goods) for the purposes of, or in connection with, the discharge of the function by the local authority.

- 7.2.3 The proposed procurement will have to comply with the Council's Contract Procedure Rules and the PCR 2015.

7.3 Equalities and Diversity

- 7.3.1 Under section 149 of the Equality Act 2019, the Council must consider its wider public sector equality duty (PSED) when making its decision. The duty requires the Council, when exercising its functions, to have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited under the Act; advance equality of opportunity between those who share a 'protected characteristic' and those who do not share that protected characteristic; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (this involves having due regard, in particular, to the need to (a) tackle prejudice and (b) promote understanding).

- 7.3.2 An Equality Analysis based on the latest available data has been completed and is appended to this report.

7.4 Sustainability (including climate change, health, crime and disorder)

- 7.4.1 The Corporate Mechanical & Electrical (M&E) Contract will have the flexibility within it to make changes in line with the Councils Corporate priorities and will include Contract Change Notices (CCNs) which will allow for services to be added and removed as and when the need arises. The Council corporate estate and assets are ever changing and are often dependent upon service need therefore the Contract will be flexible to allow for this.
- 7.4.2 As part of the M&E specification, it will include commitment to energy efficient buildings, energy efficient equipment and replacement assets, for example switching to air source heat pumps where possible, LED lighting, solar panels.
- 7.4.3 As part of the procurement process Bidders are required to submit their environmental and sustainability commitments, which should ideally include commitments such as employing staff living within the borough who can use public transport, cycle or walk to work, and a commitment to working towards 100% electric vehicles. These commitments will also be a part of Social Value requirements and will be reported upon monthly as part of the contract monitoring process.

7.5 Council Infrastructure

Not Applicable

Background Information (as defined by Local Government (Access to Information) Act 1985).

None