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## CABINET

**Subject Heading:**

Approval to Tender and Award of Contract for Electrical Services Maintenance and Renewal

**Cabinet Member:**

Councillor Paul McGeary – Cabinet Member for Housing and Property

**SLT Lead:**

Neil Stubbings – Strategic Director of Place

**Report Author and contact details:**

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**Policy context:**

The statutory requirement to maintain our homes to a decent standard

This work supports the Housing Asset Management Strategy 2021-26 and is identified within the HRA Business Plan approved by Cabinet in February 2024

**Financial summary:**

This contract will enable the Council to comply with its statutory requirements as well as invest in new sustainable technologies in the future as set out in the body of the report.

The potential total contract value is approximately £63million over 16 years

commencing in September 2025, £57million to be met from the Housing Revenue Account ('HRA') and £6million from General Fund for potential works to Corporate buildings

**Is this a Key Decision?**

Key on the grounds that this report involves

(a) Expenditure or saving (including anticipated income) of £500,000 or more

**When should this matter be reviewed?**

The contract duration is up to ten years if performing well plus an option to extend for up to six years. Continuation of the contract each year is subject to annual review.

**Reviewing OSC:**

Place

People - Things that matter for residents	X
Place - A great place to live, work and enjoy	X
Resources - A well run Council that delivers for People and Place.	

**SUMMARY**

1. As part of the Council's responsibility as a landlord, the Council has a duty to undertake repairs and maintenance works to its HRA housing stock. This report presents to Cabinet details of the proposed tender process to re-procure a contract for Electrical Services and seeks approval to procure and delegated approval for the subsequent award of contract.
2. The current HRA annual revenue budget for electrical works is approximately £1.5million per annum, with a further £2million in capital budgets. The primary purpose of this contract is to allow the necessary statutory compliance works to be carried out, whilst ensuring the Councils Decent Homes standards are met.
3. In addition to this, the Council has set a target of 2040 to achieve net zero carbon and for Council homes the provision and maintenance of systems such as EV charging and Solar PV will be significant in meeting that target. In order to achieve this, it will be critical for the Council to have the agility to change or adapt its approach, if necessary, and this will only be possible with a long-term strategic partner in place.

4. Although there is no contractual commitment to procure zero carbon technologies under this contract, this approach does provide the Council with a degree of flexibility going forward, which will be key as both technology and future carbon reduction policies evolve over the lifetime of the contract.
5. Monies have been identified within the HRA 30-year business plan and contract spend will be aligned with business priorities and approved budgets on an annual basis

## **RECOMMENDATIONS**

For the reasons set out in the report and its appendix, Cabinet is recommended to;

1. Approve the procurement of a contract of a total value of up to £63million for a term of 10 years with the option to extend for 6 years, for the provision of Electrical system maintenance, safety inspections and renewal services, primarily for Council housing but with Corporate buildings within scope.
2. Approve a waiver of the Council's default evaluation criteria of 70% Price: 30% Quality and instead award the contracts on the MEAT basis of a 50% Quality, 40% Price, and 10% Social Value weighting for the reasons set out in Section 2 of this report, Procurement Proposals.
3. Approve the use of Merzell portal managed by Lumensol Limited, the Council's appointed consultant, for reason set out in Section 2 of this report, Procurement Proposals.
4. Delegate approval of the award of the contract and to enter into contract terms post tender with the winning bidder to the Strategic Director of Place, acting in consultation with the Lead Member for Housing, the Strategic Director of Resources and the Deputy Director of Legal & Governance.
5. Delegate the award of works packages under the contract to the Strategic Director of Place, acting in consultation with the Lead Member for Housing.

**REPORT DETAIL**

**1. Background**

- 1.1. Electrical maintenance and servicing to HRA properties is currently provided by a contract which commenced in April 2017.
- 1.2. In order to comply with statutory requirements for annual safety inspections, and in order to maintain installations in their best condition and so prolong their life expectancy, it is necessary to re-procure these services.
- 1.3. It is considered desirable to procure a longer term contract to facilitate a partnership between the Council and the contractor at a time when contractors are becoming increasingly selective in the contracts for which they tender and the relative certainty of work will encourage more competitive pricing.
- 1.4. The ability to create a long-term relationship between the Council, the contractors and other Council contractors should also lead to a greatly enhanced service for residents. Without the need to educate new contractors in the ethos, culture and procedures of the Council on a regular basis, more time can be devoted to creating a joined up service whereby contractors share best practice, are aware of each other's contract requirements and can coordinate works to create efficiencies and reduce disruption to residents.
- 1.5. The Council has set a target of 2040 to achieve net zero carbon and for Council homes, the replacement of existing electrical systems will be a factor in meeting that target.
- 1.6. The works to be delivered under this contract will be those identified by the Asset Team in Property Services, drawing upon the stock condition surveys carried out by the team and by Savills, and held on the Keystone asset database and the inspection and maintenance regime necessary to maintain our building safety compliance.
- 1.7. The works will be a combination of building compliance works, traditional planned works to renew building elements at end of life, and works to address specific initiatives, changes in legislation or policies, such as the Building Safety Act (2022) and Decent Homes 2.
- 1.8. The full scope of this contract is as follows:-
  - Service, maintain and/or replace Automatic Gates and Barriers;
  - EV Charging in Underground and Overground Car Parks;
  - Service, maintain and/or replace CCTV;
  - Replace Door Entry;
  - Service and/or Replace Automatic Doors;
  - All PAT/FAT Testing;
  - All Communal Periodic Testing;
  - All Domestic Periodic Testing;

- Replace All Electrical Wiring;
- Service, maintain and/or replace Extract Systems;
- Replace and/or Remedy Emergency Lighting;
- Service, maintain and/or replace Lighting Conductors;
- Electric Shutters in Car Parks;
- Service, maintain and/or replace Solar/PV;
- Service, repair and renewal mains lateral and risers
- Service, repair and renew estate lighting
- Service, repair and renew washing machines and
- Any other associated works.

## **2. Procurement proposals**

- 2.1. The proposed contract will have a potential total value of £63million. As such, this procurement is above the threshold for procurements which have to be conducted in accordance with the Public Contracts Regulations 2015. The procurement process will also be in accordance with the Council's Contracts Procedure Rules.
- 2.2. The procurement route will be a two stage restricted tender with Stage 1 being submission of Suppliers Questionnaires and Stage two, following shortlisting, being submission of Contractors Proposals.
- 2.3. The contract opportunity will be advertised, with all interested parties submitting suppliers questionnaires. The Council has appointed consultant Lumensol Limited to assist with its tendering arrangements. Tenders will be submitted through the Mercell procurement portal operated by Lumensol. The reason for this is that third party consultants are unable to access the Council's own Fusion portal.
- 2.4. Lumensol Ltd have been engaged through the Council's approved Matrix framework to support the Council in delivering the procurement due to a lack of capacity within the internal procurement team which is an approach agreed by the members of the procurement team.
- 2.5. The procurement process will be fully facilitated by Lumensol but at this time we do not expect Lumensol to be involved post contract. Members of the Corporate Procurement team have been involved at relevant stages to provide governance and oversight of the process.
- 2.6. The expressions of interest will be shortlisted by Council officers before contractor's proposals are sought.
- 2.7. Bids will be evaluated on price and quality on the basis of a 50% Quality, 40% Price, and 10% Social Value weighting. A portion of the quality score will relate to how the contractor will work with Havering to ensure best value for money for any new technologies.
- 2.8. It should be noted that the above price / quality split was discussed and agreed with strategic business partners including colleagues from Corporate Procurement and was agreed at Gateway Review Group meeting GRG1 in June

2023. This was also discussed and agreed by a panel of Cabinet Members at the presentation of the Strategic Procurement Proposals 2024-2040 on 15<sup>th</sup> December 2023.

- 2.9. Quality and Social Value submissions will be evaluated by Council officers and Price submissions will be evaluated by Lumensol, with officers from Corporate Procurement having oversight of the complete process.
- 2.10. The contract will commence in September 2025 and the core contract will be for a duration of ten years, with a provision to extend the contract for a further period of six years to end in August 2041.
- 2.11. The contract will contain no-fault break clauses, applicable after year one, which will allow either party to terminate the contract with six months' notice on the part of the contractor, or three months' notice on the part of the Council.
- 2.12. The contract will take the form of a Measured Term agreement whereby the contractor is not guaranteed all or any work of this type during the contract term.
- 2.13. The proposed project timetable is as follows:

Finalise procurement and draft contract documents	August 2024
Invite Suppliers Questionnaires	September 2024
Receive and evaluate SQ's	November 2024
Request for Contractors Proposals	November 2024
Gateway 2 process	February 2025
Approvals process	February 2025
Leaseholder consultation	February 2025
Notify bidders of outcome of tender	April 2025
Finalise contract documents	June 2025
Mobilisation period	May 2025 to September 2025
Start of works	September 2025

**3. Procurement and project risks**

- 3.1. Minimum standards for sub-contractors will be introduced by the Council in order to improve the quality of the supply chain and the key service and quality requirements will be emphasised in the invitation to tender documents and be closely monitored throughout the duration of the contract.

- 3.2. An open-book approach will be adopted for any new technologies in connection with the zero carbon agenda, which could not be anticipated at the time of tendering, to establish a base line for both new installations and their subsequent maintenance, which will then convert to agreed contract rates. The tender requires bidders to set their preliminaries, overheads and profit.
- 3.3. In addition to works to HRA properties, a number of options are included in the contract for works to Private Sector Leasing (PSL) properties and Houses in Multiple Occupation (HMO's) which are funded through the General Fund, and buildings within the Corporate estate are also within scope.
- 3.4. Council officers in Property Services, utilising independent cost consultants, will carry out regular checks against the market to ensure that the contract rates continue to deliver value for money.
- 3.5. The contract will be managed and monitored by staff within Property Services and the contractor will be obliged to meet a set of Key Performance targets.
- 3.6. To ensure consistent quality and performance throughout the contract, Performance Indicators (PIs) will be incorporated into the contract and managed by staff within Housing Services. The PIs will be divided into the following categories:
  - 3.7. Key Performance Indicators (KPIs): These indicators are directly linked to contractual non-performance clauses, providing benchmarks for evaluating compliance and service delivery standards.
  - 3.8. Measures: These indicators will provide additional information to enable effective management of the JCT Measured Term Contract. They do not directly trigger contractual non-performance clauses but contribute to comprehensive contract oversight and performance assessment.
  - 3.9. This categorisation of PIs aims to uphold rigorous monitoring while facilitating proactive management and continual improvement throughout the contract duration.
  - 3.10. Each PI is defined under the following headings:
    - Purpose – the reason for collection of the PI
    - Calculation Methodology – How to calculate performance in relation to the PI
    - Scorer – who is responsible for calculating the PI
    - Frequency – how often the PI should be formally calculated
    - Target – the performance level that should be aimed for
    - Type – whether the PI is a KPI or a Measure.
  - 3.11. The KPIs will be reported monthly. Each KPI has a specific target and frequency for measurement, which will be reviewed monthly. If the Contractor fails to meet the Minimum Acceptable Score in one or more KPIs, as outlined in the KPI Framework for that month, quarter, or year, they must submit a plan to the Council within ten business days of the review meeting. This plan, known as the

Action Plan, must outline how they intend to resolve these failures within two months (or sooner if required by the Council) from the date of the review meeting. Monitoring KPIs in the future will ensure that contractual obligations are fulfilled efficiently and effectively, enhancing overall service delivery and satisfaction.

- 3.12. The contract will include a price adjustment mechanism, based upon CPI, which will obviate the need for tenderers to over-estimate the risk of cost increases in their tenders.

#### **4. Added Social Value**

- 4.1. Contractor's proposals to deliver Social Value within Havering will form 10% of the tender evaluation.

- 4.2. The contract contains a requirement for the contractor to deliver Social Value, but it is simplified to a requirement of 1% of the contract value each year, with the initiatives delivered to be agreed by a stakeholder group annually.

- 4.3. This gives the opportunity for the social value deliverables to be identified by residents and councillors and to change over time.

- 4.4. The Council will focus proposals on the relevant Social Value themes as set out in the Government's 2020 Social Value model, those being;

- Ongoing Covid 19 recovery
- Tackling economic inequality
- Fighting climate change
- Equal opportunity
- Wellbeing

- 4.5. The importance of this contract to the zero carbon and building safety agendas would indicate that there are substantial social value opportunities for educating residents in fuel efficiency and in training in new technologies.

#### **5. Proposed contract**

- 5.1. The contract is anticipated to commence in September 2025 and the core contract will be for up to ten years' subject to continued good performance, with a provision to extend the contract for a further period of six years to end in August 2041.

- 5.2. The contract form is the Term Alliance Contract TAC-1 which is a form of partnering contract developed from the TPC2005 contract and which is a form recommended for use by central and local government to achieve supply chain collaboration.

- 5.3. As a "measured term" contract, works orders are raised for projects or programmes (typically one year at a time) but the contractor is not guaranteed all or any work under the contract, and has no claim to compensation if orders are not forthcoming or do not meet the indicative contract value.



- 5.4. Along with the typical termination clauses for breach, the contract also contains no-fault termination clauses allowing either party to end the agreement upon service of the requisite notice, after the first twelve months.
- 5.5. The Council will be required to give 3 months' notice, and the contractor to give 6 months' notice, and if invoked by the contractor in one of the first five years will incur a compensation payment to the Council on a sliding scale, to allow for the costs of re-procurement.
- 5.6. Whilst the contract is being procured primarily to address the specific requirements of HRA Housing properties, non-Housing properties will be included within scope and the indicative contract value over its lifetime includes an allowance for its use on Corporate buildings.
- 5.7. The contract contains elements of work or services for which leaseholders may be charged, so the requirements of Section 20 of the Landlord and Tenant Act 1985, as amended by the Commonhold and Leasehold Reform Act 2002, will apply.
- 5.8. Leaseholders have been consulted prior to tender. A Stage 2 notice will be issued after approval to the award of contract. A 30 day notice period will then need to be observed, which can run concurrently with the mobilisation period.
- 5.9. The contract is in the form of a Qualifying Long Term Agreement (QLTA) and so prior to any works orders being raised, those leaseholders affected will be consulted again, with estimates of cost.

## **REASONS AND OPTIONS**

### **6. Reasons for the decision**

- 6.1. The Council has a statutory and contractual obligation as a landlord to provide repairs, maintenance and compliance works to its properties, and therefore must have a provision in place to deliver this.

### **7. Other options considered**

- 7.1. Existing frameworks – The Council is seeking to procure a partner to deliver services to Havering properties and we would prefer not to procure through a framework which was not set up specifically to provide the service to our requirements, and which has additional framework costs
- 7.2. Open tender – The Council would like to appoint a partner which can provide market-leading service. Shortlisting at the SQ stage allows the Council to concentrate on evaluating the better performing tenderers.
- 7.3. Shorter term for contract – Procurement is expensive and resource intensive for public sector employers and contractors. The preference in the market is for

longer term contracts as these spread the cost of procurement over a longer term and give more scope for the stakeholders to create a true partnership. A longer term contract shows commitment and gives bidders the incentive to develop staff to deliver the new technologies, within the partnership.

- 7.4. Do Nothing – Maintenance of electrical systems in a safe and operational condition is a legal requirement for social housing provision and doing nothing is not an option. The existing contract currently providing the service needs to be re-procured.
- 7.5. We risk failing to meet the Decent Homes Standard, which ensures Council housing is well-maintained and presentable. This non-compliance could increase resident complaints and dissatisfaction, while also attracting the intervention of the Social Housing Regulator, potentially resulting in sanctions or mandatory corrective actions. Neglecting regular maintenance jeopardizes the quality of our housing stock and our reputation as a responsible housing authority.
- 7.6. To combine this contracts with contracts for Corporate buildings and schools – this option was discussed with officers within the Corporate Service, but was rejected due to the timing to facilitate contracts in all areas and the specific requirements within each area. In addition to this, there were Section 20 Leaseholder issues that would need to be dealt with prior to the procurement exercise being carried out, which are not possible to resolve within the required timescales. It was, however, agreed that the new contracts would be written to include the option for them to be used by schools and the Corporate service in future should the need arise once their existing contracts have expired.
- 7.7. Therefore, the above options were considered and rejected at pre procurement stage.

## **IMPLICATIONS AND RISKS**

### **8. Financial implications and risks**

- 8.1. As a “measured term” contract, works orders are raised for projects or programmes, but the contractor is not guaranteed all or any work under the contract, and has no claim to compensation if orders are not forthcoming or do not meet the indicative contract value.
- 8.2. The contract is being procured primarily to address the specific requirements of the HRA properties, but options were included for works to non-HRA Housing and non-Housing properties, should those services wish to use it.
- 8.3. Funding could be from both the HRA and General Fund revenue and capital budgets. With it being a “measured term” contract, funding specifics will need to be identified during the project/programme design stage.

- 8.4. The current HRA annual revenue budget for electrical works is approximately £1.5million per annum, with a further £2million in capital budgets. However, low carbon systems and photovoltaics will require substantially higher investment during the later years of the contract, if it is decided to procure these systems through this contract. This will need to be costed and approval sought during the annual cycle when the time arises.
- 8.5. In addition to the above, the Council has set a target of 2040 to achieve net zero carbon and for Council homes the replacement of electrical systems will be important in meeting that target. In order to achieve this, it will be critical for the Council to have the agility to change or adapt its approach, if necessary, and this will only be possible with a long-term strategic partner in place.
- 8.6. The overall maximum contract value procured through this contract could be up to £63million, although it should be noted that there is no contractual commitment to do so.
- 8.7. This includes up to £40million of works over the 10-year period of the contract and a further £23million of works could also be delivered, should the contract be extended for a further 6-year period. A further breakdown is set out in the table below:

	10 Year period	16 Year Period
Revenue HRA (including electrical safety, servicing and compliance checks)	Up to £16m	Up to £9m
Revenue GF	Up to £2m	Up to £1m
Capital (including installation and equipment replacements, solar PV systems)	Up to £20m	Up to £12m
Revenue GF	Up to £2m	Up to £1m
<b>Total</b>	<b>Up to £40million</b>	<b>Up to £23million</b>

**Table 1 – Possible Forecast Expenditure**

- 8.8. Cost Avoidance  
The award of this contract will help the Council to keep the stock in good order; clearly failure to keep the housing stock in serviceable condition could lead to further financial liabilities being incurred.
- 8.9. Financial Stability  
As required by the Council's Contract Procedure Rules a financial check will be undertaken on each of the preferred bidders using Experian and minimum financial threshold criteria.

**9. Legal implications and risks**

- 9.1. The Council has statutory requirements to undertake repairs and maintain its HRA housing stock under the Landlord and Tenant Act 1985, Housing Act 2004 and the Secure Tenants of Local Housing Authorities (Right to Repair) Regulations 1994.
- 9.2. The Council has a general power of competence under Section 1 of the Localism Act 2011 to do anything an individual may generally do subject to any

statutory limitations. The arrangements now sought are in accordance with these powers.

- 9.3. Additionally, the Council has the power to procure the contract under Section 111 of the Local Government Act 1972 which, permits the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
- 9.4. The Council is a contracting authority for the purpose of the Public Contracts Regulations 2015 (PCR). The total contract value is estimated up to £63million over the 16-year contract period. The value of the procured contract will be above the works threshold for the purposes of the PCR 2015 of £5,372,609 (inclusive of VAT). Therefore, the contract is subject to the full PCR.
- 9.5. Leaseholder consultation is required under Section 20 of the Landlord and Tenant Act 1985 and as stipulated by Section 151 of the Common hold and Leasehold Reform Act 2002. This decision is subject to the consultation concluding to notify leaseholders of the intention to procure these services and subsequently to appoint the preferred bidder.
- 9.6. The body of this report confirms that officers will undertake a route via an open tender procurement process.

## **10. Human Resources implications and risks**

- 10.1. The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.
- 10.2. There may be implications under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) and there is an obligation under the existing contract for the incumbent contractor to provide relevant details of all staff who they believe may be affected. This information will be provided to all tenderers, in line with the principles of the Data Protection Act 2018. The ITT document will specify that potential bidders are obliged to satisfy themselves that they would be able to meet any potential TUPE requirements relating to this tendering exercise.

## **11. Equalities implications and risks**

- 11.1. Under Section 149 of the Equality Act 2010, the Council has a duty when exercising its functions. This includes outsourcing services by awarding a contract to an outside body, to have “due regard” to the need to eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act and advance equality of opportunity and foster good relations between persons who share a protected characteristic and persons who do not. This is the public sector equality duty. The protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 11.2. “Due regard” is the regard that is appropriate in all the circumstances. The weight to be attached to each need is a matter for the Council. As long as the

Council is properly aware of the effects and has taken them into account, the duty is discharged.

- 11.3. The procurement of this contract will enable the Council to maintain its housing stock to a high standard and improve the quality of the customer services that the tenants receive. Tenants with protected characteristics are over-represented in social housing so this contract will have a positive impact on their well-being.
- 11.4. An Equalities and Health Impact Assessment is included as **Appendix 1** to this report

## **12. Health and Wellbeing implications and Risks**

- 12.1. Provision of an effective housing repairs service is essential to ensure residents are able to safely and comfortably use their homes, being provided with good quality services which support promote good health and wellbeing.
- 12.2. Poor quality housing can have a serious negative impacts on individual's health and wellbeing and a significant negative impact on communities.
- 12.3. The Council is responsible for improving and protecting health and wellbeing of local residents under the Health and Social Care Act 2012.
- 12.4. The maintenance of efficient electrical systems and low carbon technologies will help to reduce heating bills for residents, which will ease current cost of living pressures.
- 12.5. These contracts will support the aims and delivery of the Housing Asset Management Strategy ensuring that the Council provide the right homes for our resident which are affordable, safe and of high quality, provide good communities in which to live and work, whilst meeting the challenges of zero carbon and building safety across the estates.

## **13. Environmental and Climate Change Implications and Risks**

- 13.1. Environmental and Climate Change implications of delivery of the contract will be assessed through contract award as part of the Quality evaluation process; tenderers will be evaluated upon their proposals to reduce the environmental impact and carbon footprint of how the work is delivered, such as local supply chains, electric vehicles, waste reduction and recycling and so on
- 13.2. The contract includes for the installation and maintenance of sustainable and low carbon technologies such as solar PV and has scope for electrical technologies not yet in the mainstream.

**BACKGROUND PAPERS**

1. HRA Business Plan update, Budget 2024/25 & Capital Programme 2024/25–2028/29.
2. Housing Services Asset Management Strategy 2021-2026.
3. HRA Medium Term Financial Strategy

**APPENDICIES**

**Appendix 1 – Equality and Health Impact Assessment**