

## Notice of KEY Executive Decision containing exempt information

This Executive Decision Report is part exempt and Appendix A is not available for public inspection as it contains or relates to exempt information within the meaning of Schedule 12A to the Local Government Act 1972. It is exempt because it refers to financial or business affairs of any particular person (including the authority holding that information) and the public interest in maintaining the exemption outweighs the public interest in disclosing the information

<b>Subject Heading:</b>	Award of Contract for Electrical Services Maintenance and Renewal
<b>Decision Maker:</b>	Neil Stubbings – Strategic Director of Place
<b>Cabinet Member:</b>	Councillor Paul McGeary – Lead Member for Housing and Property
<b>ELT Lead:</b>	Neil Stubbings – Strategic Director of Place
<b>Report Author and contact details:</b>	Mark Howard- Planned Works and Direct Delivery Manager <a href="mailto:Mark.howard@havering.gov.uk">Mark.howard@havering.gov.uk</a> 01708 43400
<b>Policy context:</b>	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 2025
<b>Financial summary:</b>	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
<b>Reason decision is Key</b>	Key on the grounds that this report involves  (a) Expenditure or saving (including anticipated income) of £500,000 or more
<b>Date notice given of intended decision:</b>	14th March 2025
<b>Relevant Overview &amp;</b>	Place

**Key Executive Decision – Part Exempt Report**

<b>Scrutiny Committee:</b>	
<b>Is it an urgent decision?</b>	No
<b>Is this decision exempt from being called-in?</b>	No

**The subject matter of this report deals with the following Council Objectives**

People - Supporting our residents to stay safe and well	X
Place - A great place to live, work and enjoy	X
Resources - Enabling a resident-focused and resilient Council	

**Key Executive Decision – Part Exempt Report**  
**Part A – Report seeking decision**

**DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION**

For the reasons set out in the report and its appendix, the Strategic Director of Place is recommended to;

Approve the award of a contract to AJS Limited for a period of ten years' subject to continued good performance, with an option to extend for a further six years to deliver electrical services maintenance and replacements, including low carbon technologies in respect of HRA properties, at an estimated cost of up to £63 million, inclusive of the extension period.

**AUTHORITY UNDER WHICH DECISION IS MADE**

**Cabinet Decision of 18<sup>th</sup> September 2024:**

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.

**STATEMENT OF THE REASONS FOR THE DECISION**

**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 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.

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- 1.5. The Council has set a target of 2040 to achieve carbon neutrality 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), Regulator of Social Housing, IEE 18<sup>th</sup> Edition requirements and Decent Homes 2 when it is announced.
- 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.
- 1.9. Approval to this procurement was given by Cabinet in September 2024

## **2. Evaluation Process**

- 2.1 This procurement is above the threshold for works procurements that had to be conducted in accordance with legal requirements set out in the Public Contracts Regulations 2015.
- 2.2 A Contract Notice was published in respect of this procurement on 16/01/2025, ref no 2024/S 000-035973
- 2.3 The Council followed a two-stage restricted tender procedure as set out within the Public Contracts Regulations 2015, with Stage 1 being submission of

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Suppliers Questionnaires and Stage two, following shortlisting, being submission of Contractors Proposals.

- 2.4. The contract opportunity was advertised, with all interested parties submitting supplier's questionnaires. The Council appointed consultant Lumensol Limited to assist with its tendering arrangements. Tenders were submitted through the Merrell procurement portal operated by Lumensol. The reason for this is that third party consultants are unable to access the Council's own Fusion portal.
- 2.5. The procurement process was 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 were shortlisted by Council officers before contractor's proposals were sought.
- 2.7. Bids were evaluated on price and quality based on a 50% Quality, 40% Price, and 10% Social Value weighting.
- 2.8. Quality and Social Value submissions were evaluated by Council officers and Price submissions were evaluated by Lumensol, with officers from Corporate Procurement having oversight of the complete process.
- 2.9. Further details on the procurement and scoring is contained in exempt **Appendix 1**.
- 2.10. **Clarification Note:** In the Cabinet Report dated 18th September 2024, the procurement process was mistakenly referred to as 'Open Tender' in one section. The correct process intended and followed was 'Restricted Procedure', as later detailed in that report.

### **3. Proposed contract**

- 3.1 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.
- 3.2 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.
- 3.3 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.

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- 3.4 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.
- 3.5 The Council will be required to give 13 weeks' notice, and the contractor to give 36 weeks' 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 (£200K in year 2, £90K in years 3-6).
- 3.6 Whilst the contract is being procured primarily to address the specific requirements of HRA Housing properties, non-Housing properties are included within the scope and the indicative contract value over its lifetime includes an allowance for its use on Corporate buildings.
- 3.7 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.
- 3.8 Leaseholders have been consulted prior to tender. A Stage 2 notice will be issued after the award of contract has been approved. A 30 day notice period will then need to be observed, which can run concurrently with the mobilisation period.
- 3.9 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.

#### **4. Procurement and project risks**

- 4.1 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 were emphasised in the invitation to tender documents and will be closely monitored throughout the duration of the contract.
- 4.2 Council officers will carry out regular checks against the market to ensure that the contract rates continue to deliver value for money and, if they do not, the option to end or reduce the use of the contract can be considered.
- 4.6 The contract includes a price adjustment mechanism, based upon CPI, which has obviated the need for tenderers to over-estimate the risk of cost increases in their tenders.
- 4.7 The contract will be managed and monitored by staff within Housing Services and the contractor will be obliged to meet a set of Key Performance targets, with profit at risk if targets are not met.
- 4.8. 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:

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- 4.9. Key Performance Indicators (KPIs): These indicators are directly linked to contractual non-performance clauses, providing benchmarks for evaluating compliance and service delivery standards.
- 4.10. 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.
- 4.11. This categorisation of PIs aims to uphold rigorous monitoring while facilitating proactive management and continual improvement throughout the contract duration.
- 4.12. 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.
- 4.13. 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.

#### **5. Added social value**

- 5.1 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.
- 5.2 This gives the opportunity for the social value deliverables to be identified by residents and Councillors and to change over time.
- 5.3. 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

**OTHER OPTIONS CONSIDERED AND REJECTED**

- 6.1. **Existing frameworks** – The Council is seeking to procure a partner to deliver services to Havering properties and would prefer not to procure through a framework which was not set up specifically to provide the service to the Council's requirements, and which has additional framework costs
- 6.2. **Open tender** – The Council would like to appoint a partner that can provide market-leading service. Shortlisting at the SQ stage allows the Council to concentrate on evaluating the better performing tenderers.
- 6.3. **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.
- 6.4. **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. Otherwise the Council risks 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.
- 6.5. **To combine this contract 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.
- 6.6. Therefore, the above options were considered and rejected at pre procurement stage.

**PRE-DECISION CONSULTATION**

Business partners have been consulted and their comments are included within the body of this report


**NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER**



**Key Executive Decision – Part Exempt Report**

Name: Mark Howard

Designation: Planned Works and Direct Delivery Manager

Signature: 

Date: 22<sup>nd</sup> May 2025

## **Part B - Assessment of implications and risks**

### **LEGAL IMPLICATIONS AND RISKS**

#### **Legal implications and risks:**

- 7.1 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.
- 7.2 Therefore, the Council has the power to award a contract for these works under Section 111 of the Local Government Act 1972, which allows the Council to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
- 7.3 The Council also 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.
- 7.4 The Council is a contracting authority for the purpose of the Public Contracts Regulations 2015 (PCR). The total contract value is estimated to be up to £63 million, inclusive of the extension period. The value of the contract is therefore above the threshold for works under the PCR 2015. As such, the contract is subject to the full rigours of the PCR.
- 7.5 Leaseholder consultation is required under Section 20 of the Landlord and Tenant Act 1985 (as amended) and as stipulated by Section 151 of the Commonhold and Leasehold Reform Act 2002. This decision is subject to the consultation concluding to notify leaseholders of the preferred bidder.
- 7.6 In accordance with the Council's Contracts Procedure Rules, a tender process was undertaken, and following evaluation of the bids, officers now recommend awarding the contract to AJS Limited.
- 7.7 The Council is a Best Value authority and has a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". As set out in this report, officers consider the proposals achieve Best Value.
- 7.8 For the reasons set above, the Council may award the contract to AJS Limited

### **FINANCIAL IMPLICATIONS AND RISKS**

- 8.1 The contract will be funded from the HRA and General Fund from existing budgets and costs have been incorporated into the HRA business plan.

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- 8.2 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.
- 8.3 The contract has been 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.
- 8.4 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.
- 8.5 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.
- 8.6 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.
- 8.7 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.
- 8.8. 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 HRA (including installation and equipment replacements, solar PV systems)	Up to £20m	Up to £12m
Capital 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**

- 8.9. 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.

#### **Key Executive Decision – Part Exempt Report**

##### **8.10. Financial Stability**

As required by the Council's Contract Procedure Rules a financial check has been undertaken on AJS Limited using Experian and they are classed as Very Low Risk

#### **HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)**

- 9.1. The preferred bidder is the incumbent contractor for Electrical Services and as such, there are no TUPE implications.

#### **EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS**

- 10.1. 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.
- 10.2 "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 considered them, the duty is discharged.
- 10.3 The awarding 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 new contract will have a positive impact on their well-being.
- 10.4 An Equalities and Health Impact Assessment was completed for the Cabinet report seeking approval for this procurement and so another has not been prepared for contract award

### **HEALTH AND WELLBEING IMPLICATIONS AND RISKS**

- 11.1. 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.
- 11.2 Poor quality housing can have serious negative impacts on individual's health and wellbeing and a significant negative impact on communities.
- 11.3 The Council is responsible for improving and protecting health and wellbeing of local residents under the Health and Social Care Act 2012.
- 11.4 The installation of new energy efficient heating systems and low carbon technologies will help to reduce heating bills for residents, which will ease current cost of living pressures.
- 11.5 This contract will support the aims and delivery of the Housing Asset Management Strategy ensuring that the Council provide the right homes for our residents that 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.

### **ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS**

- 12.1. A significant contributor to the Council's progress towards the target of net zero carbon by 2040, and as set out in the Havering Climate Change Action Plan, is the move away from existing gas heating and hot water systems in the Council's stock of approximately 9,200 rented, and 2,500 leasehold properties.
- 12.2 This contract is designed to manage that transition in a controlled manner as and when existing systems require renewal, without placing an undue burden on budgets by artificially shortening asset life.
- 12.3 The contract has the flexibility to adopt new sustainable technology as it develops, so ensuring that the best systems, and best practice, are progressively delivered.
- 12.4 The work delivered under this contract is critical in addressing climate change but equally, tenderers have been 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.

### **BACKGROUND PAPERS**

Cabinet Decision of 18<sup>th</sup> September 2024

### **APPENDICES**

**Appendix A**      Tender Returns and Evaluation (Exempt not for publication)

**Key Executive Decision – Part Exempt Report**

**Part C – Record of decision**

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

**Decision**

Proposal agreed

*Delete as applicable*

Proposal NOT agreed because

**Details of decision maker**

Signed

Name:

Cabinet Portfolio held:

CMT Member title:

Head of Service title

Other manager title:

Date:

**Lodging this notice**

The signed decision notice must be delivered to Committee Services, in the Town Hall.

**For use by Committee Administration**

This notice was lodged with me on \_\_\_\_\_

Signed \_\_\_\_\_