

Report to the Cabinet



Report reference: C-041-2015/16
Date of meeting: 5 November 2015

**Epping Forest
District Council**

Portfolio: Housing

Subject: Acceptance of Tenders – Annual Gas Servicing and Maintenance Contract

Responsible Officer: P Pledger (01992 564248)

Democratic Services: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

- (1) That Gracelands CMS Ltd be awarded the contract for the programmed servicing of Council owned gas appliances and the provision of breakdown and emergency repairs service to Council owned gas appliances to properties in both the north and south of the district based on a 5-year contract with the option to extend by a further 5-years, at the Most Economically Advantageous Tender (MEAT) based on an assessment of price and quality with a score of 74.98% for Lot 1 North and a score of 76.20% for Lot 2 South;**
- (2) That it be noted the projected annual expenditure for gas servicing and breakdowns, based on a comparison between the expenditure incurred during the financial year 2014/15 and the tendered rates submitted by Gracelands CMS Ltd for both Lot 1 North and Lot 2 South, the Council will benefit from a saving of around 4.9%;**
- (3) That the overall value of the works be limited to the sum included in the Capital Programme on an annual basis; and**
- (4) That this contract be designated as a serial contract under Contract Standing Order C11 to facilitate the annual increase in the schedule of rate items in accordance with The Department of Business, Innovation & Skills Building Cost Indices.**

Executive Summary:

Tenders were sought for the programmed servicing and provision of breakdown and emergency repairs service to Council owned gas appliances in such a way that allowed the Council to appoint either a single Contractor to operate across the whole of the district or two contractors, one for each of the North and South of the district. The EU compliant tender exercise was undertaken on the Council's behalf by Procurement Consultants Cameron Consulting, and was based on an assessment of both quality and price with a 60% weighting on quality and a 40% weighting on price (Most Economically Advantageous Tender or MEAT). The most economically advantageous tender received was submitted by Gracelands CMS Ltd for both the north and south areas.

Reasons for Proposed Decision:

The existing contracts for the programmed servicing and the provision of breakdown and emergency repairs service to Council owned gas appliances expired in July 2015; therefore it was necessary to re-tender the contract to satisfy the Council's legal requirement to maintain an annual Landlords Gas Safety Record for all Council owned gas appliances.

Other Options for Action:

- (a) Not to appoint Gracelands CMS Ltd as the most economically advantageous tender for one or both of the contracts and appoint any of the other tenderers. However, this would create an opportunity for a legal challenge from any of the other Contractor, as the Notice in the OJEU and the instructions set out in the Invitation to Tender (ITT) clearly stated the Council's intention to assess and appoint based the most economically advantageous tender.
- (b) Whilst it is an option not to appoint any of the contractors, it would mean the Council would not be able to meet its legal obligation of completing Annual Landlord Gas Safety Records (LGSR) for all of its gas appliances.

Report:

1. The existing contracts with Gracelands CMS Ltd for the programmed servicing and the provision of breakdown and emergency repairs service to Council owned gas appliances in both the north and south of the district expired in July 2015. Since July, they have provided a caretaking service until such time as the EU procurement exercise could be concluded and a replacement contract let. They are operating under two separate contracts, one for the North, which was let in 2005 and a second contract for the South, which was let in 2012 after the previous contractor went into liquidation.
2. Prior to the tender exercise commencing, a post-contract evaluation took place to try and identify any lessons learnt from the previous contracts that could be incorporated in the future. This identified the need to retain some flexibility to be able to appoint either two contractors, one for the north of the district and one for the south, but would also allow one contractor to cover both areas of the District.
3. To ensure there was no advantage given to the existing contractor, Cameron Consulting were appointed as independent Procurement Consultants to undertake an EU compliant tender exercise on behalf of the Council. An OJEU notice was posted and PQQ issued. The notice incorporated two lots, Lot 1 for the North of the district and Lot 2 for the South. The tender was based on quality and price, with quality making up 60% and price making up 40% of the tender score.
4. 22 completed PQQs were received and evaluated by Cameron Consulting with Council Officers involved in the moderation process. The criteria used were around the Contractors demonstrating they were capable and technically competent to meet the service requirements of the contract, were of sufficient economic and financial standing, had an appropriate level of experience with a track record for projects of a similar nature. A shortlist of 6 contractors was invited to submit a tender.
5. A waiver of Contract Standing Orders was agreed by the Housing Portfolio Holder to allow the Council to pilot electronic tendering, therefore tenders were issued electronically and then returned electronically on 7 August 2015 by 12 noon using the secure Delta eSourcing tender portal, which provides a full audit trail to identify who uploaded documents to the tender box and when they were uploaded as well as who downloaded the documents and opened them. The system on trial satisfies the Government's eProcurement guidelines.
6. The tender costs that were set out in the tender were for the purpose of calculating a "Target Price" as it will not be possible to record a fixed contract sum. This was broken down into a number of parts. These included a combination of fixed costs for servicing, schedule of rates for breakdowns including labour and parts, fixed hourly rates for labour, fixed percentages for central office and site overheads, percentages for profit as well as an enhanced profit percentage for achieving performance targets associated with LGSR.

7. The tenders were downloaded from the Delta eSourcing tender box by Cameron Consulting and sent by email to the Council. Each tender submission was opened by the Housing Portfolio Holder and recorded in the Council's tender register as follows:

Tenderer	Tender sum Lot 1 - North	Tender sum Lot 2 - South
British Gas Social Housing Ltd trading as PH Jones	£359,243.64	£357,746.08
BSW Heating Ltd	£547,968.06	£495,189.43
Gracelands Complete Maintenance Services Ltd	£198,388.68	£185,321.08
K & T Heating Services Ltd	£371,014.19	£331,939.96
Keepmoat Regeneration Ltd	Withdrew	Withdrew
Purdy Contracts Ltd	Did not submit	Did not submit

8. The tender sum that was captured was a simple summation of the financial values in the tender and do not represent a contract sum. The tendered rates, when evaluated represent a maximum score of 40% in a Quality/Price assessment.

9. Keepmoat Regeneration Ltd withdrew part way through the tender process. However, Purdy Contracts Ltd failed to submit their tender to the Delta-eSourcing tender box by the return deadline.

Evaluation of Price

10. The tender documents made it clear that *"...during the tender evaluation, the Council will analyse the submitted costs for consistency across the rest of the submission. Where costs or rates are considered to be inconsistent the Authorities Consultants will clarify any inconsistencies and to investigate potentially abnormally low tenderers. In this regard, the tenderers attention is drawn to the Authorities powers under regulation 30(6) of the Public Contract Regulations 2006 (as amended) to disregard/reject any Tender that is abnormally low. Where any of the tendered cells were left blank either by mistake or deliberately to give an advantage would be asked to complete these cells during the post tender evaluation process."* Other reasons include avoiding any ambiguous claims for payments that were left unpriced after the contract is let, which is a non-confrontational principle of Partnering Contacts.

11. The summary tables for Lot 1 North and Lot 2 South set out in paragraph 14 below captures the scores, with each price expressed as a percentage in accordance with the MEAT evaluation criteria, with price making up 40% of the evaluation score.

Evaluation of Quality

12. Since gas servicing is a high risk part of the Council's function as a landlord, and it is the only contract where the Contractor will enter all of the Council's stock each year, it is important that the Council selects the right contractor that can not only meet the Council's legal obligations to compete a LGSR but will also work to maintain its stock in a good condition and be respectful towards tenants. As a result, the Council set a 60% weighting on the quality submission of the tender.

13. The quality submissions centred around how each tenderer would deliver the contract; the resources they would allocate along with qualifications and experience; how they would provide a quality service in terms of managing breakdowns; gaining access for the purpose of competing the LGSR; customer care; risk management; improving performance; reducing "wasted" visits, and how any savings over time will be shared as efficiencies in gaining access are realised.

14. The summary table with the weighted percentage scores for both quality and price, which have been evaluated by Cameron Consulting strictly in accordance with the MEAT criteria, are set out in the two tables below for Lot 1 North and Lot 2 South:

Overall Summary Lot 1: North	Quality Summary (Max 60%)	Cost Summary (Max 40%)	Total (Max 100%)	Ranking
Gracelands CMS	39.50%	35.48%	74.98%	1
K & T Heating Services	34.50%	33.25%	67.75%	2
BSW Heating	42.00%	25.13%	67.13%	3
British Gas/ PH Jones	35.00%	31.90%	66.90%	4

Overall Summary Lot 2: South	Quality Summary (Max 60%)	Cost Summary (Max 40%)	Total (100%)	Ranking
Gracelands CMS	39.50%	36.70%	76.20%	1
K & T Heating Services	34.50%	34.95%	69.45%	2
BSW Heating	42.00%	26.27%	68.27%	3
British Gas/ PH Jones	35.00%	30.51%	65.51%	4

15. Based on the table above, the most economically advantageous tenders received for both Lot 1 North and Lot 2 South was from Gracelands CMS Ltd, who is the current contractor for both the North and the South of the district. It is therefore recommended that Gracelands CMS Ltd be awarded the contract for both Lot 1 North and Lot 2 South with a combined quality and price score of 74.98% and 76.20% respectively.

16. Since the tender sum is not based on a lump sum, rather a set of schedule of rates, fixed prices, percentages and labour rates, it is estimated that based on the rates submitted by Gracelands CMS Ltd the Council will realise a saving of around 4.9% against the annual expenditure for Gas Servicing in 2014/15.

17. Whilst it is not a requirement, a full financial credit check has been carried out on Gracelands CMS Ltd by the Chief Internal Auditor. The outcome of that check has recorded Gracelands CMS Ltd as having a 4-star Credit Rating and overall is a "Very Low Risk" for a contract of this value.

18. Gracelands CMS Ltd have a long track record of undertaking a variety of Maintenance related contracts on behalf of the Council, which includes the current gas servicing contracts for both the North and South of the district. They are a local company employing local labour. They consistently achieve very high levels of tenant satisfaction across all of their contracts and the Council receives more compliments for Gracelands CMS than any other of its contractors. These are all audited through the suite of Management PI's and Corporate KPI's.

19. Since tenants are already aware that Gracelands (CMS) Ltd provide their servicing and breakdown cover for gas heating systems, by awarding this contract to Gracelands (CMS) Ltd will make the contract lead-in and transition process seamless from a tenants' perspective, which will therefore reduce the risk of any emergency calls being missed during a hand-over.

Resource Implications:

There is a budget allocation of £1.2m per annum in the HRA for gas servicing and maintenance, which is sufficient to meet the costs as submitted in the tender received from Gracelands CMS Ltd. All prices are subject to an annual adjustment in line with The Department of Business, Innovation & Skills Building Cost Indices

Legal and Governance Implications:

The Housing Act 1985
Gas Safety (Installation and Use) Regulations 1998
Corporate Manslaughter and Corporate Homicide Act 2007

Safer, Cleaner and Greener Implications:

Maintaining gas appliances not only ensures they are safe, but it also ensures they are operating at their most efficient, thus keeping CO2 emissions at their lowest possible levels, and gas usage is as efficient as possible to tenant gas bills are as low as they can be.

Consultation Undertaken:

None

Background Papers:

Evaluation score matrix

Risk Management:

Risks can be measured in terms of both health and safety and in terms of financial viability. Gas Safety is measured and controlled by the Gas Safety (Installation and Use) Regulations 1998, for which this contract is set up to work within its rules and regulations. All Engineers must be qualified and registered as Gas Safe.

The Council has a legal requirement to ensure each gas appliance owned by the Council is safe and is inspected annually. The contract requires the contractor to meet this legal requirement on behalf of the Council, with procedures tested as part of the tender process.

Financial viability of the contractor is equally important. Should the Contractor cease trading, it will expose the Council to risks if there is no contractor in place to ensure each gas appliance is safe. Financial credit checks have been carried out on Gracelands CMS Ltd which report them as a "Very Low Risk"

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

A Housing Repairs Service and Asset Management Customer Impact Assessment has been carried out for all responsive repairs and planned maintenance works, which includes gas servicing and maintenance. This includes monitoring customer satisfaction. Priority for works is based on the condition of the appliances in the home and the legal requirement to complete LGSR annually rather than consider the individual characteristics of the occupants.

However, each breakdown call that is attended is first assessed based on the vulnerability of the occupant. Priority is given to older tenants, those with disabilities and where there are young children.

All contractors registered with Constructionline are required to produce an Equality and Diversity Policy, which is assessed independently as part of the vetting process for registration on Constructionline. The Equality Impact Assessment produced by Gracelands Complete Maintenance Service Ltd has been reviewed by the Council and has been found to be acceptable.