



**Cabinet**  
13 March 2023

**Report from the Corporate Director  
of Resident Services**

## **Procurement of Mechanical and Electrical Services Works Contracts for Council Housing**

<b>Wards Affected:</b>	All Wards
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
<b>No. of Appendices:</b>	None
<b>Background Papers<sup>1</sup>:</b>	None
<b>Contact Officer(s):</b> (Name, Title, Contact Details)	Giuseppe Coia, Major Works and Refurbishments Manager 07776 665790 <a href="mailto:Giuseppe.Coia@brent.gov.uk">Giuseppe.Coia@brent.gov.uk</a>

### **1.0 Purpose of the Report**

1.1 The Council is in contract with a number of specialist mechanical and electrical (M&E) contractors. They support the maintenance and repairs, planned maintenance and servicing requirements specifically for mechanical and electrical, and fire safety services in relation to the Council housing stock, to ensure that the Council meets all of the key requirements of regulatory and statutory legislation, in relation to the Council's compliance responsibilities. This is in addition to the standard repairs and maintenance contract currently with Wates.

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<sup>1</sup> [Insert a description of relevant background papers. There is a statutory requirement to include a list of those documents relating to the subject matter on which the report is based and which have been relied on to a material extent in preparing the report. These might include previous reports and records of decisions on the same matter. These papers are open to public inspection, unless they contain exempt or confidential information. It is not necessary to make reference to any published works where it is reasonable to expect that a member of the public could make their own arrangements to get a copy of the document.]

- 1.2 The M&E contracts are all coming to an end of their procured term, and thus the Council needs to re-procure the M&E contracts to deliver relevant services and works.
- 1.3 This report requests approval to procure M&E contracts as required by Contract Standing Orders.

## **2.0 Recommendations**

That Cabinet:

- 2.1 Note the M&E contracts detailed in the table at paragraph 3.6 are coming to an end but will be extended. The Council is aiming to procure the new Qualifying Long-Term Agreements within a maximum period of 12 months. The existing contracts will need to all be extended to align with the re-procurement process with new contracts awarded commencing March 2024.
- 2.2 Note that pursuant to delegated powers Officers are procuring a suitably experienced Technical Consultancy that will manage the preparation of the specifications and support the procurement of the new M&E contracts.
- 2.3 Approve inviting tenders for the M&E Contracts detailed in the table at paragraph 3.6.
- 2.4 Delegate authority to the Corporate Director, Residents Services in consultation with the Cabinet Member for Housing, Homelessness & Renters Security to agree pre-tender considerations in respect of the M&E Contracts referred to in recommendation 2.3 above and thereafter evaluate tenders on the basis of agreed evaluation criteria.
- 2.5 Delegate authority to the Corporate Director, Resident Services, in consultation with the Cabinet Member for Housing, Homelessness & Renters Security, to award M&E contracts referred to in Recommendation 2.3 above.
- 2.6 Approve the allocation of £64 Million exclusive of VAT over a period of 10 years from revenue and capital to fund the M&E contracts referred to in recommendation 2.3 above in accordance with the detail set out in paragraph 3.6 of the report.
- 2.7 Note that the Council will undertake consultation with leaseholders and Recognised Tenants Associations (“RTAs”) pursuant to Section 20 of the Landlord and Tenant Act 1985 (“LTA 1985”) (as amended), as set out in paragraph 7.4.

## **3.0 Background**

- 3.1 The Council has legal responsibilities to maintain the various areas of compliance. Many of these are mechanical and electrical (M&E) services such

as gas and electrical, others are not, such as asbestos, and others are both, such as fire safety.

- 3.2 These services are important for maintaining and protecting our housing stock, and for keeping our residents safe. Therefore, it is essential that these services are maintained.
- 3.3 The scope of service includes maintenance and repairs, planned maintenance and servicing.

Maintenance and Repairs – this is generally a same-day service where there is a complete service failure. The objective is to restore the full service or adequate service (where specialist parts have to be ordered) to ensure that residents can safely access, stay in, and egress their homes. This includes out-of-normal working hours.

Planned Maintenance – this is where components, plant and equipment are nearing the end of their serviceable life. The replacement of the components, plant and equipment are planned in advance so that the work can be undertaken with minimal disruption to residents and the property. This is generally planned for on a yearly basis to coincide with budget allocation.

Servicing – this is the periodic inspection and servicing visits of all mechanical and electrical, health and safety, and fire safety installations. These inspections are undertaken on a fixed schedule which is either weekly, monthly, quarterly, six-monthly, or yearly depending upon the regulatory or statutory requirements. Any immediate or imminent failures identified at the inspection are also resolved, either immediately or as planned maintenance.

- 3.4 The mechanical and electrical contracts performance is monitored with key performance indicators measuring response times, service down-times and customer satisfaction.
- 3.5 Most of the mechanical and electrical, and compliance contracts were procured as long-term contracts approximately ten years ago. They are now reaching the end of their contractual term.
- 3.6 The list of contracts that require tendering is as follows:

<b>Ref</b>	<b>Contract</b>	<b>Estimated Contract Value over the Proposed 10 Year Term</b>
1	Door Entry, CCTV & Automated barriers	£ 1,680,000.00
2	Communal Electrical Contract	£ 4,410,000.00
3	Communal Electrical Contract & Electrical Safety Maintenance	£ 6,510,000.00
4	Lift Contract - Servicing and repairs	£ 4,882,500.00
5	Mobility Lift Contract - Annual servicing and repairs	£ 1,890,000.00
6	Gas Contract - Domestic Gas Servicing and Repairs; Communal Heating Systems	£ 35,700,000.00
7	Water Servicing Contract - External Cold Water Mains from network to building point of Entry	£ 315,000.00
8	Asbestos Consultant Analysts	£ 1,050,000.00
9	Asbestos Removal Contract	£ 2,625,000.00
10	Fire Risk Assessments and Fire Safety Advice	£ 4,725,000.00
	<b>Total</b>	<b>£ 63,787,500.00</b>

#### **4.0 Appointment of the Technical Consultant**

4.1 In view of the specialist nature of the M&E contracts and the need to procure a large number of High Value Contracts in a limited time, Officers have concluded that they require a Technical Consultant to write the specification for the main M&E contracts and support the procurement. Using delegated powers, Officers are therefore in the process of procuring a Technical Consultant. This is being done through the use of a specialist third party framework operated by Fusion

21. It will take 4 months to write the specification and to agree the procurement strategy.

## **5.0 Procurement of the Mechanical and Electrical Contracts**

- 5.1 The Council is required to maintain its Housing stock to a good standard and comply with all relevant statutory and regulatory requirements. This includes ensuring all M&E services and works are delivered appropriately. Most of these are governed by regulatory and statutory legislation, but the Council also is required to deliver certain services under the Housing Act, tenancy and leasehold agreements, and the like.
- 5.2 In view of the nature of the M&E services and works, it is considered that they are best delivered by specialist contractors.
- 5.3 Officers have considered the various options on how to procure the contracts, including use of the Open and Restricted procedures under the Public Contracts Regulations 2015 as well as the use of frameworks. Officers consider that input from the Technical Consultant will assist with determining which procurement approach is most suitable for individual contracts.
- 5.4 It is possible to procure one or two multi-disciplinary specialist M&E contractors. However, these tend to be very large contractors who have to buy in many of the trades and specialisms that they don't employ. This contributes to longer more difficult communication channels. The contracts are also more difficult to manage. In addition, the contractor operates as a management contractor with additional management overheads.
- 5.5 Whilst there is an attraction to a one-stop shop, the negative aspects far outweigh any benefits that there may be. A one-stop shop contractor arrangement would involve a management contractor employing a number of specialist mechanical and electrical, and fire safety subcontractors. This would create communication and transparency issues as the contact with officers and residents would be much less direct, as there would be an additional one or two layers of management, with associated costs. Issues would take longer to resolve with a potential negative impact on the service and residents. Resolution of issues would take longer as officers would not always be able to deal directly with the specialist contractors as they do now.
- 5.6 The current contracts have operated on an individual specialist basis and have largely been successful. Officers can easily contact the right contractor and person with the contractor's organisation. There is greater transparency regarding service delivery and costs.
- 5.7 It is therefore proposed that there is the procurement with individual specialist contractors similar to the existing contracts.
- 5.8 The contract term is proposed as an initial 5 years with extensions of 2 years, and then three years; a total of 10 years. This provides the best balance with

rewarding good contractor performance, and minimising the time spent reprocurring and extending contracts.

- 5.9 Whilst the above is felt by Officers to offer the best approach to re-procure M&E contracts, Officers consider that input from the Technical Consultant once appointed will assist with recommending the final pre-tender considerations for the procurement of contracts. For that reason, Officers recommend delegating authority to Corporate Director, Residents Services in consultation with the Lead Member for Housing, Homelessness & Renters Security to agree pre-tender considerations in respect of the M&E Contracts.
- 5.10 The new contractors will be expected to use, populate, and update the Council's asset management and compliance systems.
- 5.11 The contracts that require procuring, and their estimated value (NPV) over the proposed 10-year contract term is set out in 3.6 above.
- 5.12 Given the complexity and numbers of M&E contracts being procured, the procurements are likely to take up to 12 months. In order to avoid any delay with award of contracts, Officers seek delegated authority to the Corporate Director, Resident Services, in consultation with the Cabinet Member for Housing, Homelessness & Renters Security, to award M&E contracts.

## **6.0 Financial Implications**

- 6.1 The estimated value of the contract for technical consultancy to support with the re-procurement process is £0.2m and will be funded within existing resources in the Housing Revenue Account (HRA).
- 6.2 The mechanical and electrical servicing and repair works contract over ten-year period is estimated to cost £63.8m (excluding VAT) in the HRA, this works out to be an average spend of £6.38m per annum and is aligned with estimated budget profile in the HRA Business Plan over the long term.
- 6.3 The contracts will consist of providing a responsive service in addition to planned maintenance, there is some risk of encountering overspend, which will require mitigating cost reductions to be identified to offset against in year budget pressures, should the need arise.
- 6.4 Uncertainties in the economic environment and cost inflationary uplifts in the construction industry could potentially impact future budgets, this will be managed as part of the budget setting and monitoring process.
- 6.5 Programmed annual servicing to communal areas will be applicable for service charges to leaseholders. Effective cost recovery will enable ongoing investment in Council housing stock.

## **7.0 Legal Implications**

- 7.1 The proposed procurement of the M&E contracts is collectively and in cases individually above the threshold for contracts for works and also for services under the Public Contract Regulations 2015 (“PCR 2015”). The estimated value of the procurement of the M & E contracts is £63,787,500.
- 7.2 A number of the M & E Contracts listed in the table at paragraph 3.4 are classed as High Value Contracts. For High Value Contracts, Cabinet approval is required for approval to tender, agree pre-tender considerations, evaluate tenders and award contracts. Cabinet approval is sought to procure M&E Contracts, with approval sought to delegate subsequent steps in the procurement to the Corporate Director, Residents Services in consultation with the Lead Member for Housing, Homelessness & Renters Security.
- 7.3 As a number of the M & E contracts are subject to the full application of the PCR 2015, the Council must observe the requirements of the mandatory minimum 10 calendar [day](#) standstill period imposed by the PCR 2015 before the contract can be awarded where an Open or Restricted procurement procedure is used. The requirements include notifying all tenderers in writing of the Council’s decision to award and providing additional debrief information to unsuccessful tenderers on receipt of a written request. The standstill period provides unsuccessful tenderers with an opportunity to challenge the Council’s award decision if such challenge is justifiable. However, if no challenge or successful challenge is brought during the period, at the end of the standstill period the Council can issue a letter of acceptance to the successful tenderer and the contract may commence.
- 7.4 Given that the M & E contracts are Qualifying Long-Term Agreements (“QLTA”s) for the purposes of Section 20 of the LTA 1985 and may cost leaseholders more than £100.00 each in any given accounting period, the Council is required to consult with leaseholders and RTAs under the relevant legislation. The stages and timings of the Section 20 consultation process will be included in any report seeking approval of pre-tender considerations.

## **8.0 Human Resources/Property Implications**

- 8.1 There are no direct implications for council staff arising from the procurement itself of the contracts.

## **9.0 Public Services (Social Value) Act 2012**

- 9.1 The Council is under duty pursuant to the Public Services (Social Value) Act 2012 (“the Social Value Act”) to consider how services being procured might improve the economic, social and environmental well-being of its area; how, in conducting the procurement process, the Council might act with a view to securing that improvement; and whether the Council should undertake consultation. Officers will incorporate social value into the specification, award criteria and contract for these Frameworks to ensure that a contribution of 10% of the contract value delivered is made to Brent’s Social Value commitments.

## **10.0 Equality Implications**

10.1 The Council must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment and victimisation
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it,

pursuant to s149 Equality Act 2010. This is known as the Public Sector Equality Duty.

10.2 Under the Public Sector Equality Duty, having due regard involves the need to enquire into whether and how a proposed decision disproportionately affects people with a protected characteristic and the need to consider taking steps to meet the needs of persons who share a protected characteristic that are different from the needs of persons who do not share it. This includes removing or minimising disadvantages suffered by persons who share a protected characteristic that are connected to that characteristic.

10.3 The Public Sector Equality Duty covers the following nine protected characteristics: age, disability, marriage and civil partnership, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

10.4 The proposals in this report have been subject to screening and Officers believe that there are no adverse equality implications.

## **11.0 Consultation with Ward Members and Stakeholders**

11.1 The Cabinet Member for Housing, Homelessness & Renters Security has been consulted in regard to this report.

11.2 Ward members will be consulted in regard to the procurement of the M&E contracts.

**Report sign off:**

**Peter Gadsdon**  
Corporate Director, Resident  
Services