

# Finance and Resources Committee

10.00am, Thursday 27 November 2014

## Building Services Engineering Planned and Reactive Maintenance Services 2015 – 2019

Item number	7.26
Report number	
Executive/routine	Executive
Wards	All

### Executive summary

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The purpose of this report is to seek committee approval to award the Building Services Engineering Planned and Reactive Maintenance Services to the preferred contractors following a competitive tendering process.

A review of current arrangements was undertaken with the aim of consolidating these into three area-specific supplier contracts.

### Links

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Coalition pledges	<a href="#">P30</a>
Council outcomes	<a href="#">CO15</a> <a href="#">CO19</a> <a href="#">CO25</a>
Single Outcome Agreement	<a href="#">S04</a>

## Building Services Engineering Planned and Reactive Maintenance Services 2015 – 2019

### Recommendations

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It is recommended that the Finance and Resources Committee:

- 1.1 Approves the award of a term contract agreement for the provision of the building services engineering planned and reactive maintenance service to:
  - Arthur McKay Ltd
  - FES Ltd
  - Skanska Facilities Services
- 1.2 Notes that the value of the term contract agreement is approximately £3,000,000 per annum. This value is calculated based on historical management information and may vary depending on the Council's requirements for repair and maintenance; and
- 1.3 Notes that the term contract is for a three year period with the option to extend for a further 12 month period.

### Background

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- 2.1 The Council as a property owner and/or property manager has legislative obligations to ensure that Health and Safety, statutory compliance and mandatory inspections and certifications are carried out to electrical and mechanical assets within its properties.
- 2.2 The necessary services are currently delivered by a number of separate suppliers through a variety of legacy contractual arrangements which are not currently compliant with Council Standing Orders and procurement legislation.
- 2.3 In order to reduce the risk to the Council, the current contractual arrangements along with a Waiver Report were presented to the Finance & Resources Committee on 5 June 2014, to continue with these arrangements until this current procurement process was complete.
- 2.4 The appointment of three separate contractors allows for benchmarking to be carried out against the Key Performance Indicators established within the

contract and ensures full contract coverage in periods of high demand due to the ability to pool resources from all three contractors, if so required.

- 2.5 For the duration of this term agreement, should a contractor fail the quality, performance or health and safety expectations as specified within the KPIs contained within the contract documentation, the Council has the ability to suspend or terminate the contract and reassign their geographical area to one of the other contractors.

## Main report

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- 3.1 The City of Edinburgh Council is seeking to appoint up to three suitably qualified and experienced contractors to carry out Mechanical and Electrical (M&E) statutory compliance and inspection testing works, together with associated repairs and maintenance.
- 3.2 Commercial and Procurement Services (CPS) conducted the tender and evaluation process in accordance with Council Standing Orders, Public Procurement (Scotland) 2012 Regulations and EU Procurement Directives.
- 3.3 Commercial and Procurement Services, in conjunction with Corporate Property, undertook a full tender exercise by placing a contract notice on the Public Contracts Scotland Portal and The Journal of the European Union as a two stage procedure on 17 September 2012.
- 3.4 Fifty organisations noted their interest in the contract and were able to download the Pre Qualification Questionnaire (PQQ) documentation which was attached to the notice. PQQs were submitted by 21 organisations by the closing date of 22 October 2012.
- 3.5 The aim of the PQQ evaluation process was to allow the Council to identify suitably qualified and experienced bidders to be invited to tender by considering their financial stability, technical capability, capacity, experience and organisational processes and procedures evidenced by previous project examples. As a result of the PQQ process six bidders were selected to be invited to tender.
- 3.6 In the invitation to tender it was stated that the contract would be awarded on the basis of the most economically advantageous tender with 60% of the overall score being given to price and 40% given to quality. This ratio was determined to maximise the efficient spend of the Repairs and Maintenance budgets while also ensuring the appointment of quality contractors to carry out the works. All works commissioned under this contract are subject to review by the Council's insurance provider, in line with Health and Safety Executive (HSE) requirements, to ensure a high quality service has been undertaken.
- 3.7 Of the six bidders selected at the PQQ stage to be invited to tender, two did not return a bid. The pricing schedule sought a price per property to undertake the necessary services, as outlined in the tender documentation.

- 3.8 Due to the complexity involved Thomson Bethune, Property and Construction Consultants, were commissioned to produce the tender documentation, specification and pricing model as well as provide technical expertise and support throughout the tender evaluation process.
- 3.9 During the Invitation to Tender period, the bidders highlighted that the Asset Register did not contain sufficient information to allow accurate pricing, CPS, in conjunction with Corporate Property and Thomson Bethune, sought to amend the pricing model to ensure a successful outcome from this tendering process and a revised Invitation to Tender was issued on 13 May 2014 with a return date of 18 June 2014.
- 3.10 The revised pricing model sought prices on a Schedule of Rates, a price for the creation and updates to an Asset Register, Log Booking and Asset Tagging. This would ensure that the Council has a robust and accurate Asset Register created in the first year of this contract. This will allow the Council to have an accurate database which reflects the Mechanical and Electrical Assets contained within each of its properties and also information on age and condition to allow future planning and improvement plans.
- 3.11 A mini competition will be undertaken after an 18 month period with the three appointed contractors to seek a price per property. This will be a fully comprehensive price to carry out all statutory inspections, testing and related repairs and maintenance. This pricing model will provide the Council with increased cost certainty to support budget management and a reduction in back office functions as the Contractor will take responsibility for ensuring the necessary testing and certification is completed for their allocated properties.
- 3.12 The four tender submissions received were evaluated individually by the three members of the evaluation team to determine a score for quality. In accordance with the agreed ratio, the weighted maximum score for quality was 40. Seven evaluation criteria areas were identified, each having different weightings and being scored between 0 and 10 in accordance with the Evaluation Criteria Scoring Definitions included in the tender instructions issued to the bidders. Further details of the procurement process, including the members of the evaluation team and the seven quality evaluation criteria and their respective weightings, are provided in Appendix 1.
- 3.13 On completion of the individual evaluation process, a consensus meeting was held attended by the members of the evaluation team and the contract administrator from Commercial and Procurement Services. Individual evaluation criteria scores were reviewed and debated and a consensus score reached for each bidder. The appropriate weighting was then applied to each of the individual evaluation criteria to arrive at a final quality score.
- 3.14 A threshold of 60% of the total available marks for quality was set to ensure that any bidder failing to provide a satisfactory response to the published evaluation

criteria requested within the tender documentation would not be considered further and would not have their pricing bid opened. All bidders achieved the minimum threshold for quality.

- 3.15 The lowest priced tender was awarded the maximum score 60 for price. All other bids were then scored on a pro-rata basis against this lowest bid i.e. for each of the other bids the lowest bid price was divided by that bid price and multiplied by the maximum score of 60.
- 3.16 The quality scores were then combined with the scores from the cost analysis to derive an overall score for each bidder out of a maximum of 100. The results are detailed in the table below.

<b>Bidder</b>	<b>Quality Score</b>	<b>Price Score</b>	<b>Total Score</b>
Arthur McKay Ltd	34.20	60.00	94.20
Skanska Facilities	34.80	52.82	87.62
FES Ltd	31.60	48.63	80.23
Bidder 4	36.00	40.13	76.13

- 3.17 The three bidders with the highest overall scores which represent the three most economically advantageous tenders are from Arthur McKay, Skanska Facilities and FES Ltd. These provided satisfactory responses to all elements of the award criteria and met all mandatory criteria for insurance levels, trade qualifications, financial stability and business probity.
- 3.18 Following the decision regarding a preferred contractor, there is a mandatory 10 day standstill period which must be followed before the contract would be awarded.
- 3.19 The contract is split into three geographical areas which are modelled upon the Corporate Property iPFM areas. The geographical areas as follows:
- Area 1: South West and West Edinburgh
  - Area 2: East and South Edinburgh
  - Area 3: City Centre and North Edinburgh
- 3.23 Each area will have an appointed contractor responsible for planned servicing and reactive maintenance.
- 3.24 Based on the Council's requirements for capacity and the most economically advantageous offer received for each area it is recommended that tenders be appointed as follows:
- Area 3: Arthur McKay Ltd

Area 3 is the largest area relating to volume of M&E assets. Arthur McKay Ltd submitted the most commercially advantageous bid for this package of works and will be appointed for this area.

- Area 1: Skanska Facilities

Area 1 is the second largest area relating to volume of M&E assets. Skanska Facilities submitted the second most commercially advantageous bid for this package of works and will be appointed for this area.

- Area 2: FES Ltd

Area 2 is the smallest area relating to volume of M&E assets. Area 2 has been awarded to FES Ltd as the third most commercially advantageous bid for this package of works and will be appointed for this area.

- 3.25 The combined value of the term contract agreement is approximately £3,000,000 per annum. This value is calculated based on historical management information and may vary depending on the Council's requirements for repair and maintenance.

## Measures of success

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- 4.1 The provision of mandatory statutory compliance inspections, maintenance and certifications to ensure that properties are safe, fit for purpose and are able to support the delivery of Council services.
- 4.2 The success of the term contract will be measured by Key Performance Indicators (KPIs) developed by Commercial and Procurement Services, external advisors Thomson Bethune and Corporate Property.
- 4.3 These KPIs will ensure that strict contract management and performance monitoring is maintained for all inspection testing and maintenance carried out on behalf of the Council. KPIs will measure:
- Commercial Compliance;
  - Quality of Asset Information provided;
  - Programme Compliance;
  - Health and Safety (HSE) Compliance;
  - Technical/Quality – Defects; and
  - Customer Service.

## Financial impact

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- 5.1 The cost will be accommodated within the existing approved Corporate Property revenue budget for repairs and maintenance.
- 5.2 The costs associated with procuring this contract are estimated at £20,000 - £36,000 for Corporate Property and Procurement staff time and for Thomson

Bethune to produce the tender documentation. These costs were met from existing budgets as part of substantive roles.

- 5.3 The number of Contractors has been reduced from in excess of 50 to three through this procurement which will result in contract management efficiencies.

### **Risk, policy, compliance and governance impact**

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- 6.1 The risk of not accepting the recommendations could result in the following:
- The Council failing to meet its legislative obligations to ensure that health & safety and statutory compliance is met.
  - Mandatory inspections and certification of lifts are not met.
  - Risk to the Council's reputation.
  - Increased level of Customer Dissatisfaction with Service Provision.

### **Equalities impact**

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- 7.1 The service will positively impact the rights to health and potentially the right to life by resolving the current inconsistency of reports and recordkeeping, the delays in reporting issues and subsequently commissioning the remedial works required.
- 7.2 The management of limited budgets based on the known-condition of assets will allow targeted interventions and will also ensure that the needs of particular customer groups are known and facilitated.
- 7.3 This will significantly reduce the risk of harm and disruption to both service users and staff.
- 7.4 The bidders have undertaken to provide apprenticeship opportunities (collectively 5-8 appointments dependant on area allocation) and will assist with learning and employment information which will encourage participation in both local environments and in public life.

### **Sustainability impact**

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- 8.1 Works from this term contract will be allocated by area allowing contractors to travel within a smaller geographical area, reducing the amount of carbon emissions from vehicles.
- 8.2 The contractors have also undertaken to provide information on optimising plant and equipment and reducing energy consumption and carbon footprint.

### **Consultation and engagement**

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- 9.1 Not applicable.

## Background reading / external references

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10.1 Detailed information relating to the compliance with legislation and safety measures can be obtained from the authors of this report.

### John Bury

Acting Director of Services for Communities

Contact: Patrick Brown, Building Programme Team Manager, Building Programme Team, Corporate Property  
Nick Smith, Commercial & Procurement Manager, Corporate Governance  
E-mail: [patrick.brown@edinburgh.gov.uk](mailto:patrick.brown@edinburgh.gov.uk) | Tel: 0131 529 5902  
[nick.smith@edinburgh.gov.uk](mailto:nick.smith@edinburgh.gov.uk) | Tel: 0131 529 4377

### Links

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<b>Coalition pledges</b>	P30 – Maintain a sound financial position.
<b>Council outcomes</b>	CO15 – The public is protected. CO19 – Attractive places and well maintained. CO25 – The Council has efficient and effective services that deliver on objectives.
<b>Single Outcome Agreement</b>	S04 – Edinburgh’s communities are safer and have improved physical and social fabric.
<b>Appendices</b>	Appendix 1 – Procurement Process.

## Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	<b>Building Services Engineering Planned and Reactive Maintenance Services 2015 – 2019</b>
Contract period (including any extensions)	2 years with the option to extend annually for a further 2 years
Estimated contract value	£3,000,000 (Annual) £12,000,000 (Total less extensions)
Standing Orders observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	<a href="http://www.publiccontractsscotland.co.uk">www.publiccontractsscotland.co.uk</a>
EU Procedure chosen	Restricted
Tenders returned	4
Tenders fully compliant	4
Recommended supplier	Arthur McKay Ltd FES Ltd Skanska Facilities
Primary criterion	Most economically advantageous tender to have met the qualitative and technical specification of the client department
Evaluation criteria and weightings and reasons for this approach	Project Management Proposals – 30% Contract Delivery Team – 25% Environmental Protection – 10% Quality & Cost Assurance – 10% Communications & Customer Care – 10% Risk Management – 10% Communications Benefits – 5%