



Key Decision Report of the Corporate Director, Housing and Adult Social Services

Officer Key Decision	Date: 18 January 2017	Ward(s): All
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Delete as appropriate		Non-exempt
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SUBJECT: Contract extension for responsive repairs, servicing and capital asset management of communal heating installations

1. Synopsis

- 1.1 This report seeks approval for the extension of the contract in respect of responsive repairs, servicing and capital asset management of communal heating installations in accordance with Rule 2.5 of the council's Procurement Rules.
- 1.2 The council has an obligation to provide heating and hot water to circa 4,500 residents living in communally heated properties where the council is the landlord. The contract is aimed at dealing with service, maintenance, and responsive repairs i.e. day-to-day minor repairs.

2. Recommendation

- 2.1 To approve the extension of the contract for responsive repairs, servicing and capital asset management of communal heating installations as outlined in this report.

3. Date the decision is to be taken

18 January 2017.

4. Background

- 4.1 Under the Landlord and Tenant Act 1985, the council has an obligation "to keep in repair and proper working order the installations in the dwelling-house for space heating and heating water." Communal mechanical services (heating, ventilation and water) are provided for residents on council estates who are served by communal boiler systems

This contract provides a responsive repairs service to respond and rectify any failure to the gas fired heating and/or hot water systems, including the landlord's gas services to the designated systems. This

includes the distribution pipework, radiators, valves, associated water systems and electronics forming part of the equipment.

- 4.2 The contract extension has an estimated value of £1.5m for the 12 month period reflecting the current budget requirement. Funding for this arrangement will come from the Housing Revenue Account (HRA).
- 4.3 The contract will run from 1 April 2017 through to 31 March 2018 with no option to extend beyond this date. A new contract is being procured with the start date of the 1 April 2018. The contract notice for this was published on OJEU 10 January 2017.
- 4.4 All contract terms will remain the same, including the payment of London Living Wage, for this 12 month extension.

This contract ensures that all elements of the plant are well maintained, and running efficiently to reduce energy consumption, reduce disruption to the service to the end users and improve the life expectancy of the equipment, thus providing an economic, social and environmental sustainable service.

- 4.5 The re-procurement has been delayed partially due to dependencies on new internal IT systems, however the timing of the contract award is also key. An extension to the existing contract is required to enable the London Borough of Islington to undertake a full compliant OJEU procurement process, with sufficient lead in time before the start of the new contract.

It is important to ensure the contract does not begin in the colder winter months, where a change of service provider could have an adverse effect on the quality of service and could lead to an interruption of heating and hot water services to our residents and stakeholders through the service provider change-over period. Therefore a project plan for the re-procurement has been drawn up to reflect the contract award date of November 2017, to enable the maximum mobilisation period for the new contract to start on 1 April 2018.

- 4.6 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to sign the council's anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

5. Implications

5.1 Financial implications

The Responsive Repair, Servicing and Capital Asset Management of Communal Heating Installation service is currently funded by the Council's Housing Repairs Budget (2016-17 budget of £31.4m). The current budget allocation for Responsive Repair, Servicing and Capital Asset Management of Communal Heating Installation is £1.6m per annum, and is anticipated that the current budget provision will continue to be available for the foreseeable future to support Communal Heating Services. The cost for the 12 month extension will therefore be contained within the 17/18 Communal Heating budget (est. £1.6m).

5.2 Legal Implications

The Council is under a legal obligation to keep in repair and proper working order the installations in its tenanted housing stock for space heating and heating water (section 11 Landlord and Tenant Act 1985). Accordingly the council may enter a contract for the provision of such repair services (Local Authority Contract Act 1997).

There is no provision in the current contract enabling it to be extended beyond 31 March 2017. The proposed extension of one year represents an increase in the value of the original contract of about 10% (£1.5m). Given the value of the proposed extension, there is a risk that it would amount to a new

contract requiring a new procurement exercise in accordance with the Public Contracts Regulations 2015. However, it is considered that the risk of challenge is relatively low given the percentage increase and the fact that the council will be undertaking an OJEU compliant procurement exercise during the extension period with a view to having a new contract in place from April 2018.

In deciding whether to agree the extension, the decision maker needs to be satisfied that the price / rates applicable to the extension period continue to represent value for money for the council.

It is noted that a waiver from the requirements of the Council's Procurement Rules is being obtained.

The extension decision is a key decision requiring prior publication of the report but is within the Corporate Director's delegated authority as it involves revenue expenditure of less than £2m.

5.3 **Environmental Implications**

The efficient running of the communal heating systems helps to reduce energy bills and to help tackle fuel poverty, which is one of the priorities of the council's corporate plan. The major environmental implication from this contract is the efficient running of the communal heating systems, which minimises carbon emissions from the boilers. It is therefore vital to have an effective contract in place to ensure the systems are managed, maintained and repaired appropriately. Other impacts will include contractor travel and waste generated during the repair and maintenance process, which the contractor will be legally required to dispose of in accordance with the waste hierarchy.

5.4 **Resident Impact Assessment**

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A resident impact assessment has been carried out for the new contract which did not identify any negative impacts or disadvantages for any of the protected characteristics.

6. **Reasons for the decision**

- 6.1 This report recommends the extension of the contract for responsive repairs, servicing and capital asset management of communal heating installations to enable the re-procurement of this service. This extension will facilitate the new contract starting at the most appropriate time to minimise disruption to residents.

7. **Record of the decision:** (to be completed after 5 days on the website and re-sent to Democratic Services)

- 7.1 I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Signed by:

Corporate Director, Housing and Adult Social Services

Date

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