



Report of: Executive Member for Housing and Development

| Meeting of: | Date | Agenda item | Ward(s) |
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| Executive | 12 February 2015 | | All |

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SUBJECT: Approval of the Procurement Strategy for Domestic boiler installations with back-up service for responsive repairs and servicing including for an out of hours emergency cover contract

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of the domestic boiler installation programme with back-up service for responsive repairs and servicing (including for an out of hours emergency cover) in accordance with Rule 2.5 of the Council’s Procurement Rules.
- 1.2 The Gas service was brought in-house on 2 June 2014. A separate contract was procured for the domestic boiler installation programme with a back-up service to the in-house team for responsive repairs and servicing (including for an out of hour emergency cover) and covering peak times for the north of the borough.
- 1.3 A single contractor is unable to meet the demands of the service, especially out of hours. Therefore the decision has been made not to extend the contract beyond the initial contract period and procure a framework with three contractors to meet service needs.

2. Recommendations

- 2.1 To approve the procurement strategy for domestic boiler installation programme with back-up service for responsive repairs and servicing (including for out of hours emergency cover) as outlined at paragraph 1.3.
- 2.2 To authorise the Corporate Director of Housing and Adult Social Services, in consultation with the Executive member for Housing and Development, to appoint contractors to the boiler installation framework following the tender process.

3. Background

- 3.1 The gas service was brought in house from 2nd June 2014 to deliver a service to residents in the north of the borough. In July 2014 a contractor was appointed to provide a back up service to the inhouse team for peak periods and to also undertake planned boiler installation works (which had

previously been 100% subcontracted by Kier).

- 3.2 The contractors (within the framework) will provide back up for the in-house responsive repairs team during busier 'peak' times (for example, winter) to ensure that the council complies effectively with its repairing obligations as a landlord. It is, of course, crucial that tenants' homes are heated and that the council can respond quickly and efficiently to breakdowns and repairs.
- 3.3 Procuring a framework agreement with three contractors will ensure the council is able to do this through access to a larger pool of available resources at very short notice. This will mean we can meet installation demand and respond to emergencies, covering the in-house team, and each other, during peak times.
- 3.4 The gas service provides approximately 13,000 responsive repairs for tenants' gas heating systems a year, carries out a planned programme of boiler installations of approximately 390 properties a year and annual gas safety inspections for all 11,000 properties in the north of the borough as part of the statutory obligations under the Gas Safety (Installation and Use) Regulations 1998.
- 3.5 In addition the council has an energy and associated carbon reduction programme in line with the requirements of the mandatory Carbon Reduction Commitment (CRC) Energy Efficiency Scheme and the Council's 40% carbon reduction target. The principal aims are to mitigate the harmful effects of climate change and alleviate fuel poverty in the borough. These are the main drivers associated with the renewal of existing gas boilers that are not considered high efficiency [90%+].
- 3.6 It is intended to procure the contract for 24 months with 12 + 12 months extensions (total contract duration 48 months), so that the contract can be reviewed as the service moves forward.
- 3.7 The annual value of the contract is estimated to be £1,060,000, with a total value of £4,240,000 for the life of the contract. As this is a framework agreement, there is no guaranteed volume or value of work.
- 3.8 The installations are estimated to be £900k per annum and the repairs backup approximately £160k.
- 3.9 The initial contract period for the current contract expires on 30 June 2015. The intention is not to extend this contract, therefore, the new contractors will need to be mobilised to deliver the service from 1 July 2015.
- 3.10 Service users, in this instance tenants, must continue to receive a safe and seamless service from the Council, this is why the procurement itself is so urgent.
- 3.11 Delegated authority is sought so that the HASS Corporate Director can award the contract in order to prevent any delays in the mobilisation of the new contract within the restricted timescales and ensure continuity of service.
- 3.12 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. The adequacy of these measures will initially be assessed by officers and the outcome of that assessment will be reviewed by the Council's Procurement Board.
- 3.13 There is no opportunity to procure this service using an existing framework as there are none available that will offer the council the flexibility required within the contract to deliver both planned installations and responsive repairs cover during peak periods. The contract will include social benefit and sustainability clauses. London Living Wage will apply to all staff working on the contract.
- 3.14 The tender process will be conducted in two stages, known as the Restricted Procedure. The first

stage is Selection Criteria through a Pre- Qualification Questionnaire (PQQ) which establishes whether an organisation meets the financial requirements, is competent and capable and has the necessary resources to carry out the contract. The PQQ is backwards looking and explores how the organisation has performed to date, its financial standing, information about their history and experience.

A limited or 'restricted' number of these organisations meeting the PQQ requirements, as specified in the advertisement, will then be invited to tender (ITT). The second stage is the ITT this is forwards-looking using Award Criteria. Tenders are evaluated on the basis of the tenderers' price and ability to deliver the contract works as set out in the evaluation criteria in order to determine the most economically advantageous offer. The proposed evaluation criteria are 60% Price and 40% Quality.

4. Implications

4.1 Financial implications

The report indicates that the anticipated annual spend in respect of boiler installations in the north of the borough is £900k per annum, funding for this is available through the Council's Capital Programme.

The anticipated annual cost of the repairs back up service is £160k per annum and funding for this currently exists within the HRA's repairs budget.

Any variances that arise between current anticipated costs, which have been based on existing contract prices, and the new costs of these contracts will be met from within the HRA and will be reported through the Financial monitoring process throughout the year.

4.2 Legal Implications

The council has an obligation to keep its housing properties in good repair and the installations therein for the supply of water, gas and electricity and for sanitation in good working order (Part 2 of the Housing Act 1985; section 11 of the Landlord and Tenant Act 1985; tenancy conditions and rtb lease) Accordingly the council has power to procure and establish a framework of contractors to install boilers and provide back up services to the in-house Repair Serviceto ensure that the council meets its contractual and statutory repair and maintenance obligations (section1 of the Local Government (Contracts) Act 1997 and s111 of the Local Government Act 1972).

The estimated value of the proposed framework is below the financial threshold for full application of the Public Contracts Regulations 2006 and therefore does not need to be advertised in OJEU. However, there is a requirement under EU rules for such frameworks to comply with the principles of equal treatment, non-discrimination and fair competition and therefore some form of advertising is likely to be required. Further, the council's Procurement Rules requires frameworks over the value of £100k to be subject to competitive tender.

The framework is for a period in excess of 12 months and therefore will be qualifying long term agreements under section 20 of the Landlord and Tenant Act 1985. Accordingly the council will need to comply with the leaseholder consultation requirements applicable to long term qualifying agreements set out in the Service Charges (Consultation Requirements) (England) Regulations 2003 (as amended).

4.3 Environmental Implications

The main potential environmental impacts of the contract for domestic boiler installation, repairs and servicing are:

- Disturbance of biodiversity; some protected species live in and around the fabric of domestic dwellings, including nesting birds and bats. Staff at the contractor should be trained to identify

and deal with potential biodiversity risks.

- Emissions; the installed boilers will produce emissions during combustion. The contractor will be required to install only A-rated boilers (rated using the 2009 calculation). NO_x emissions should be minimised by ensuring that all newly-installed boilers are class 5 (European Standard EN 483:2000).
- Travel; carrying out works will involve travelling to different sites, which may result in tailpipe emissions and also contributes to congestion. The contractor should be required to ensure that zero or low emission vehicles are used, and to combine jobs to ensure effective route optimisation where possible.
- Use of materials; installation and repair works may require the use of new materials (e.g. piping). The contractor should seek to minimise the new of virgin products, and reuse existing materials where possible.
- Waste generation; installation and repair works are likely to generate waste products, some of which may be hazardous. The contractor has a duty of care to ensure that these are disposed of legally and that the waste hierarchy is followed to ensure the maximum rate of reuse and recycling.

4.4 Resident Impact Assessment (incorporating the Equalities 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 Engagement Assessment (RIA) was completed for the in-sourcing of the Repairs Service. This is being reviewed and updated via the Repairs Integration Equalities workstream with a number of actions around both resident and workforce equalities. These include improving services to disabled tenants and tenants who do not have English as their first language and various actions to support increasing the diversity of the workforce.

5. Conclusion and reasons for recommendations

- 5.1 This boiler installation contract (north) is key to the effective delivery of the newly in-sourced Gas Service and a two stage tender should be carried out to identify the most economically advantageous contractor to deliver the service on behalf of the council.
- 5.2 Delegated authority should be granted to the Corporate Director of Housing and Adult Social Services to award the boiler installation contract on the completion of the two stage tender, to ensure the contract can be mobilised without delay.

Background documents: None

Final report clearance:



Signed by: Executive Member for Housing and Development

Date: 27 January 2015

Received by: Head of Democratic Services

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