



## Key Decision Report of the Corporate Director of Housing

<b>Officer Key Decision</b>	<b>Date: 24 January 2020</b>	<b>Ward(s): All</b>
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<b>Delete as appropriate</b>	Exempt	
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THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

## **SUBJECT: Framework Award for Domestic Gas Boiler Installations, Servicing and Repairs**

### **1. Synopsis**

- 1.1 This report seeks approval for the award in respect of a borough-wide framework agreement for the domestic gas boiler installations, servicing and repairs.
- 1.2 Contractors will be appointed to the framework agreement to provide:
  - Lot 1 - Back-up service for domestic gas boiler responsive repairs and servicing for the north of the borough to support the in-house gas team;
  - Lot 2 - Domestic gas boiler responsive repairs and servicing in the south of the borough and;
  - Lot 3 - Domestic gas boiler installation renewals, both planned and reactive, borough-wide.

### **2. Recommendations**

- 2.1 To approve the appointment of successful suppliers as follows:
  - Lot 1 - GEM Environmental Building Services as Lot 1 Primary Contractor
  - Lot 1 - British Gas Social Housing ta PH Jones as Lot 1 Secondary Contractor
  - Lot 2 – British Gas Social Housing ta PH Jones as Lot 2 Primary Contractor
  - Lot 2 - GEM Environmental Building Services as Lot 2 Secondary Contractor
  - Lot 3 - Castle Point Gas & Heating Co Ltd as Lot 3 Primary Contractor
  - Lot 3 – Mears Limited as Lot 3 Secondary Contractor

### **3. Date the decision is to be taken: 7 February 2020**

### **4. Background**

- 4.1 The gas service provides approximately 24,000 responsive repairs for tenants' gas heating systems a year, carries out planned programme of boiler installations of approximately 400 properties a year and annual gas safety inspections for all tenanted properties. Currently the council provides responsive repairs and servicing to 10,040 properties in the north and 9,386 properties in the south of the borough as part of the statutory obligations under the Gas Safety (Installation and Use) Regulations 1998.
- 4.2 On 19<sup>th</sup> September 2019 the Executive approved a strategy for the procurement of a framework agreement consisting of three lots for the provision of back-up service to the domestic gas boiler repairs and servicing in the north of the borough, the domestic gas boiler responsive repairs and servicing in the south of the borough and the domestic gas boiler installation renewals, both planned and reactive, borough-wide.

The Executive gave delegated authority to the Corporate Director of Housing to award these contracts in consultation with the Executive Member for the Housing and Development.

- 4.3 The anticipated total value of each Lot will be:
- a) Lot 1: Back-up to in-house gas team for domestic boiler responsive repairs and servicing (north of the borough) £11.97m (based on £1.71m average per annum)
  - b) Lot 2: Domestic boiler responsive repairs and servicing (south of the borough) £9.31m (based on £1.33m average per annum)
  - c) Lot 3: Domestic Gas Boilers - planned and reactive installation/renewal £16.45m (based on £2.35m per annum).

The estimated maximum values for Lots 1 and 2 are based on actual spend over the past two years plus an estimated amount for PFI2 tenanted properties coming back in July 2022. The estimated value of Lot 3 may not be entirely reflective of the spend in future years considering the difficulty in predicting how many PFI2 street properties will require boiler replacements when they return to the Council's direct management in 2022/23.

The above contracts will be let for an initial term of three years with provision for up to two extensions of two years each (3+2+2) for a maximum contract duration of seven years.

### **4.4 Evaluation**

The procurement was conducted in one stage, known as the Open Procedure, the tender was 'open' to all organisations who expressed an interest.

Organisations were open to apply for all three Lots with the understanding that any single organisation would only be awarded a maximum of two Lots.

The successful bidders for Lot 1 and Lot 2 will be allocated to one (1) area each (a primary area); each contractor will also become the standby contractor (secondary) for each of the other areas designated to Lot 1 and 2.

The standby contractor for Lot 3 will be the second scoring bidder.

Those who submitted a tender and met the minimum requirements had their full tender, method statements and pricing evaluated.

The first part assessed the suitability criteria this part required organisations to complete 6 technical and/or professional ability questions. Only those organisations that scored at least a satisfactory score 3 or more in each question would have the remainder of their tender evaluated.

The second part of the open procedure assessed the award criteria. Organisations were required to give responses to 3 method statement questions, and complete a pricing schedule.

The contract will be awarded to the Most Economically Advantageous Tender based on the award criteria set at 70% cost and 30% quality.

A total of 19 bids for the overall framework were received. There were 10 tender submissions in total for Lot 1 which had to be evaluated; 3 of the 10 providers passed both the suitability and method statement questions and were scored and weighted financially for Lot 1.

The top scoring submission was for **GEM Environmental Building Services** scoring a combined score of 86.3%. This supplier will be awarded "Lot 1 primary contractor", and will be standby contractor for Lot 2 ("Lot 2 Secondary Contractor").

There were 13 tender submissions in total for Lot 2 which had to be evaluated. 6 of the 13 providers passed both the suitability and method statement questions and were scored and weighted financially for Lot 2.

The top scoring submission was for **British Gas Social Housing ta PH Jones** scoring a combined score of 82.21%. This supplier will be awarded "Lot 2 primary contractor", and will be standby contractor for Lot 1 ("Lot 1 Secondary Contractor").

There were 19 tender submissions in total for Lot 3 which had to be evaluated. 9 of the 19 providers passed both the suitability and method statement questions and were scored and weighted financially for Lot 3

The top scoring submission was for **Castle Point Gas and Heating Co Ltd** scoring a combined score of 79.96%. This supplier will be awarded "Lot 3 primary contractor". The second highest scoring submission was for **Mears** with a combined score of 77.41%. This contractor will be the standby contractor for Lot 3 ("Lot 3 Secondary Contractor").

4.5 The results of the tender evaluation are set out in the attached exempt Appendix 1.

## **5. Implications**

### **5.1 Financial implications:**

This report seeks approval for the award in respect of a borough-wide framework agreement for the domestic gas boiler installations, servicing and repairs.

The report indicates at 4.4 that the successful suppliers as per 2.1 have been assessed as the Most Economically Advantageous Tender (MEAT) based on the award criteria set at 70% cost and 30% quality.

The In-House Gas Team and the Gas service to South of the borough are funded from the Housing Repairs budget (£34.06m proposed for 2020/21). The proposed 2020/21 budget allocation for Gas Service to the North of the borough is £3.09m and South of the borough is £1.49m making a total budget of £4.58m. Within the North Budget allocation, £573k is earmarked to spend on Subcontractors to backup the In-House Team.

- **Lot1 – Backup contract to In-house Gas team (north of the borough)**

The estimated annual contract value of Lot 1 is £1.71m and consists of 2 parts:

1. £1.41m for existing properties in north of the borough
2. £300k for approx. 2500 PFI properties which will return to the Council in 2022/23.

The estimated annual contract value of £1.71m will be contained within the proposed 2020/21 budget allocation for the north of £3.09m.

- **Lot 2 Domestic Gas Boiler Responsive Repairs and Servicing (south of the borough)**

The proposed 2020/21 budget allocation for Gas service to south of the borough is £1.49m. It is anticipated that the budget provision will continue to be available in the foreseeable future. The estimated annual contract value of lot 2 is £1.33m and will therefore be contained within the budget without causing additional pressure to the Council.

- **Lot 3 Domestic Gas Boilers - planned and reactive installation/renewal**

The estimated annual value of the contract for lot 3 is £2.35m and will be funded within the Capital 10 year investment plan which assumes average resources of £4.4m per annum. The value of the contract will therefore be contained within existing resources without causing additional pressure to the Council.

## **5.2 Legal Implications**

The Council is responsible for undertaking the repair, maintenance and improvement of its housing properties and installations therein (Part 2 of the Housing Act 1985 and section 111 of the Local Government Act 1972). The Council has power to enter into contracts with suppliers of domestic gas boiler installation, servicing and repair works under section 1 of the Local Government (Contracts) Act 1997.

The Executive may provide Corporate Directors with responsibility to award contracts with a value over £2 million using revenue money and over £5 million using capital money (Council's Procurement Rule 16.2).

The proposed contract is a contract for domestic gas boiler installation, servicing and repairs. For purposes of the Public Contracts Regulations 2015 (the Regulations) this procurement is likely to be classified as a procurement for 'services' since the value of the proposed contracts for repairs and servicing (lots 1 and 2) is far greater than the value of the contract for boiler installation (lot 3). The total estimated value of the contract (all 3 Lots across a 7-year maximum term) is £37,726,000. The threshold for application of the Regulations is currently £189,330 for service contracts. The value the proposed contract is above this threshold. Contracts above this threshold must be procured with advertisement in the Official Journal of the European Union and with full compliance of the Regulations. The Council's Procurement Rules also require service contracts over the value of £189,330 to be subject to a formal competitive tender process. . In compliance with the requirements of the Regulations

and the council's Procurement Rules a competitive tendering procedure with advertisement (open procedure) has been used.

Bids were subject to evaluation in accordance with the tender evaluation model.

With respect to Lot 1, GEM Environmental Building Services gained the highest evaluation score and may therefore be awarded the Lot 1 Primary Contractor contract as recommended, with British Gas Social Housing ta PH Jones as Lot 1 Secondary Contractor as recommended.

With respect to Lot 2, British Gas Social Housing ta PH Jones gained the highest evaluation score and may therefore be awarded the Lot 2 Primary Contractor contract as recommended with GEM Environmental Building Services as Lot 2 Secondary Contractor as recommended.

With respect to Lot 3, Castle Point Gas & Heating Co Ltd and Mears Limited were the highest scoring tenderers and may therefore be awarded Lot 3 contracts as recommended.

The contract 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).

### **5.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:**

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 working for 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 SEDBUK A or B - rated boilers (rated using the 2009 calculation). NO<sub>x</sub> 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.

### **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 was completed on 27<sup>th</sup> August 2019 and the summary is included below. The complete Resident Impact Assessment is at appendix 2.

**6. Reasons for the decision:**

6.1 The successful contractors selected for the framework agreement for Domestic Gas Boiler Installations, Servicing and Repairs have met or exceeded the minimum requirements of all of the quality criteria and had the highest overall score for combined quality and cost.

**7. Record of the decision:**

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 of Housing

Date

**Appendices**

- Exempt appendix 1 – evaluation process
- Appendix 2 - RIA

**Background papers:** None

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