



Key Decision Report of: Corporate Director of Housing

Officer Key Decision	Date: 9 April 2020	Wards: All
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Delete as appropriate	Exempt	Non-exempt
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SUBJECT: Procurement strategy and contract award for the supply of gas spares, plumbing and heating materials in the north of the borough

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of the gas spares, plumbing and heating materials contract in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2 The Council seeks to enter into a call-off arrangement via the Cirrus Consortium Materials Framework 5 - Lot 2: Plumbing and heating materials, including gas spares and renewables.

2. Recommendations

- 2.1 To approve the procurement strategy for the supply of gas spares, plumbing and heating materials in the north of the borough utilising the Cirrus Consortium Materials Framework 5 - Lot 2.
- 2.2 To approve the direct award of a call-off contract from the Cirrus Consortium Materials Framework 5 - Lot 2 to City Plumbing Supplies for the supply of plumbing and heating materials, including gas spares and renewables, for an initial period of 24 months with provision of two (2) extensions of 12 months each at the discretion of the Council.

3. Date the decision is to be taken

9 April 2020

4. Background

4.1 Nature of the service

The Council's Housing Property Services department currently manages two contracts for domestic gas boiler installations, servicing and repairs. The contract in the south of the borough is currently managed by Mears.

In the north of the borough, the gas service was brought back in-house in June 2014 and has operated since using the Cirrus Consortium Materials Framework to access gas materials suppliers in order to deliver a servicing and repairs service.

Currently the in-house gas service provides approximately 7,200 responsive repairs per annum to tenants' properties in the north of the borough as part of the council's statutory obligations under the Gas Safety (Installation and Use) Regulations 1998.

The current contract expires on 31 May 2020 and a new contract needs to be in place by this date to ensure continuity of service; all options to extend have been exercised.

In order to continue to deliver an efficient gas repairs service the in-house team requires a contract for the supply of materials. The supply chain for the specialist materials must be appropriately tracked and managed to ensure repairs can be completed and the service can comply with statutory obligations to tenants.

The supply of materials is central to the delivery of the gas service, the call-off arrangement offers flexibility and ownership of managing the contract and a wide ranging specification to meet service requirements.

The Council is currently a member of the Cirrus Consortium and there are no associated upfront costs attributed to the council to access the framework.

The Cirrus Consortium Materials Framework commenced in August 2019 and expires August 2023.

4.2 Estimated Value

The contract will be funded from the Housing Revenue Account (HRA). The anticipated total value will be a maximum of £1,200,000 over a maximum of 48 months based on an estimated annual value of £300,000.

Material prices are volatile and there is a financial risk of rising costs for the council. These potential cost pressures have been taken into account in our anticipated total value; to ensure continued value for money, we will continue to review prices in the marketplace every six months.

4.3 Timetable

The Cirrus Consortium Framework agreement is pre-procured and runs for four years from 2019 until 2023.

The current contract is set to expire 31 May 2020, so preferably the new contract needs to be in place no later than 6 weeks before the start of the contract.

The new contract will start 1st June 2020 for an initial period of 24 months with an option of two (2) extensions of up to 12 months each.

This contract is not subject to leaseholder consultation (known as Section 20).

4.4 **Options appraisal**

The options available to the Council include:

- To do nothing, which would leave the Council unable to deliver essential services in breach of the council's statutory obligations under the Gas Safety (Installation and Use) Regulations 1998
- Insourcing of the service would carry significant risks and costs related to the following:
 - The need to procure and manage secondary suppliers of materials to provide stock to the store.
 - The costs associated with potential lease and ongoing maintenance of the identified store including costs related to the provision of a directly managed store.
 - The council also does not have the IT systems in place to cope with the ordering, purchasing and management of stock within the identified store.

The Council looked at supplies frameworks, but none have been identified that offer both the best value and the flexibility to meet the Council's specific requirements.

- To undertake a competitive tender via a Suppliers' Framework or a full procurement process would take time to complete delaying the delivery of the service by ensuring sufficient time to set up the required IT systems and test them before the start of the new contract. A delay will put at risk the council's ability to effectively deliver the in-house north gas service without incurring in additional, prohibitive costs to run the service and may impact on the service's ability to deliver the necessary repairs.
- The Cirrus materials framework is considered the most effective procurement route for this contract. The framework has been successfully used by the Council previously and Lot 2 offers the best match for the Council's requirements. This framework includes a selection of suppliers to the housing and public sectors who have been chosen via a competitive tender issued in the Official Journal European Union (OJEU).
- City Plumbing Supplies hold the number one position in in Lot 2: Plumbing and heating materials, including gas spares and renewables within Cirrus Consortium Framework and as such are deemed to have demonstrated they provide the best gas materials supply when compared to the other suppliers on this Lot in the framework.

4.5 **Key Considerations**

Social value will be promoted where possible; we plan to engage with the supplier to look at minimising their delivery journeys through efficient stock management of gas parts / materials and route optimisation, as well as the possibility of them using zero emission vehicles for deliveries in Islington.

Gas parts / materials consists of, but are not limited to, the supply of tailored van stocks made up of the material items most commonly used by individual gas engineers which need to be replenished on a periodic basis.

Where possible the Contractor(s) should be encouraged to use recycled or sustainably produced materials. They should ensure that waste materials are kept to a minimum and that waste leaving sites is reused or recycled where practicable. The Contractor will have a duty of care to ensure that any waste disposal is done legally and in alignment with the waste disposal regulations.

Social value contributions will include potential work experience placements and job shadowing, these will be agreed between the Council and the supplier focusing on possible job opportunities for local residents.

London Living Wage will be included as a condition of the contract.

The service will deliver best value by implementing a robust performance monitoring framework so that value for money, quality, outcomes and cost effectiveness can be assessed. The monitoring framework will include activity levels, evidence of outcomes achieved, as measured against the desired service KPI outcomes in the service specification. Expenditure against the service budget will also be required. Regular contract monitoring reviews will take place and the provider will, quarterly, submit information on the service provided. This process allows for continuous improvement and service development.

There are no TUPE, pensions or other staffing implications identified.

4.6 **Evaluation**

The Cirrus Consortium Framework Agreement includes a selection of suppliers to the public sector who have been chosen via an open tender procedure. The procurement exercise is in accordance with Regulation 27 of the UK statutory instrument PCR 2015 #102 and has been advertised in the Official Journal of the European Journal (OJEU).

Following the Procurement undertaken by the Cirrus Consortium framework 5 **City Plumbing** have been identified as the preferred supplier as they are ranked No 1 in Lot 2: "Plumbing and heating materials, including gas spares and renewables" therefore a direct award without re-opening competition is permissible under the terms of the Framework agreement.

The award criteria are based on quality 40% and cost 60%. The 40% quality weighting was split across the following categories.

- Geographical coverage
- Type of services provided
- E-Trading solutions.

4.7 **Business Risks**

There is a risk the council will fail to meet its statutory obligations if the materials are not readily available within the necessary timeframe.

Delays to procurement process would result in limited mobilisation time for the new supplier. A mobilisation plan is in place to ensure we meet our targets in a timely manner

It is vital that the supplier provides good quality materials, as poor quality will result in poor repairs and higher long term costs. The contract terms allow for negotiation around changing products, and working with the supplier to obtain the best prices.

The reintegration of housing stock currently managed through PFI will impact on the budget as they return to the council in 2022/23 (3 years into the new contract). The estimated value is based on spend over the past two years, however the budget has been modified to take account of the return of the street properties.

Information, communication and technology (ICT) must integrate fully with the council’s IT system. Mobilisation may include visits to respective offices and demonstrations to set up, integrate and test the compatibility of IT systems. Integration with the council’s IT system will be built into the specification as a requirement of the contract arrangement.

4.8 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 complete an 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.

4.9 The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	Procurement of gas materials for a total period of 48 months through Cirrus Consortium framework See paragraph 4.1
2 Estimated value	The estimated contract value is £1,200,000. See paragraph 4.2
3 Timetable	Contract implementation shall commence 1 June 2020 and continue for 24 months with option of two extensions of up to 12 months each. See paragraph 4.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	The options appraisal recommends the call-off via the Cirrus Consortium Materials Framework 5 - Lot 2: Plumbing and heating materials, including gas spares and renewables See paragraph 4.4

5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	Outlined in the report See paragraph 4.5
6 Award criteria	See paragraph 4.6
7 Any business risks associated with entering the contract	Outlined within the report See paragraph 4.7
8 Any other relevant financial, legal or other considerations.	See paragraph 5

5. Implications

5.1 Financial implications

This report seeks pre-tender approval for the procurement strategy in respect of the gas spares, plumbing and heating materials contract in accordance with Rule 2.7 of the Council's Procurement Rules.

The Council seeks to enter into a call-off arrangement via the Cirrus Consortium Materials Framework 5 - Lot 2: Plumbing and heating materials, including gas spares and renewables.

The report indicates at 4.6 that City Plumbing has been assessed as the Most Economically Advantageous Tender (MEAT) based on the award criteria set at 60% cost and 40% quality.

The estimated cost of this contract is £300,000 per annum for a duration of twenty-four (24) months, with the option to extend for two possible extensions of up to twelve months (12) each.

Material prices are volatile and there is a financial risk of rising costs for the council. These potential cost pressures have been taken into account in the estimated total value of the contract; to ensure continued value for money, the in house Gas Service Team will continue to review prices in the market place every six months.

Materials supply for the in-house gas service team is currently funded by the Council's Housing Repairs Budget (2020/2021 budget of £34.029m). The 2020/2021 budget for the in-house gas service team is £3.094m, of which, £0.500m has been allocated to fund the supply of gas spares, plumbing and heating materials for the north of the borough.

The cost for the supply of materials will be met through existing funding streams and would not create any additional budgetary pressure on the in-house gas service.

5.2 **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 the power to procure and enter into a contract for the supply of materials to enable the in house gas service to deliver the gas servicing, repairs and installations service to tenants living in the north of the borough and ensure that the council meets its contractual and statutory repair and maintenance obligations (section 1 of the Local Government (Contracts) Act 1997 and s111 of the Local Government Act 1972).

The proposed contract is a supply contract for the purposes of the Public Contracts Regulations 2015. The threshold for supply contracts for full application of the 2015 Regulations is currently £189,330. The estimated value of the gas materials supply contract exceeds the financial threshold. The proposed procurement strategy is to procure a gas materials supplier by selecting the top ranked supplier within the appropriate Lot within the Cirrus materials framework. That framework includes a selection of suppliers to the housing and public sectors who have been chosen via a competitive tender issued in the Official Journal European Union (OJEU). The framework was undertaken as an EU compliant open tender procedure. The council is able to access that framework and therefore advertisement of the procurement is not required.

The estimated value of the procurement over 4 years is £1.2m revenue. The Corporate Director's delegated level for contracts funded from revenue is £2m (Procurement Rules para 18.1.1) and therefore the Corporate Director may award a contract to City Plumbing Services for the supply of gas materials provided she is satisfied that such award represents value for money for the council.

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

Environmental implications from this contract include material use in the production of the parts, waste generation from the packaging, and CO2 emissions and congestion from the vehicles used for deliveries.

In the contract specification, the supplier is required to work with the council to find energy efficient alternatives to ensure a reduction in CO2 emissions. We plan to engage with the supplier to look at minimising their delivery journeys through efficient stock management and route optimisation, as well as the possibility of them using zero emission vehicles for deliveries in Islington.

5.4 **Resident Impact Assessment**

A Resident Impact Assessment was completed on 27 August 2019 and the complete assessment is appended.

6. **Reasons for the decision:**

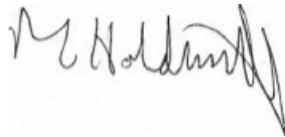
6.1 The approval of the procurement strategy for the supply of materials to the in-house gas service is key to the effective delivery of the council's statutory obligation to keep its residential properties in good repair.

6.2 It is recommended to enter into a call-off agreement with City Plumbing for Lot 2 under Cirrus Consortium framework agreement and implement a call-off contract for the term of contract (four years).

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: 9 April 2020

Appendices:

Appendix 1 - Resident Impact Assessment

Background papers:

None

Report Author: Linda Malerba
Tel: 020 7527 7546
Email: Linda.Malerba@islington.gov.uk

Financial Implications Author: Hassan Zouaoui
Tel: 020 7527 2580
Email: Hassan.zouaoui@islington.gov.uk

Legal Implications Author: David Daniels
Tel: 020 7527 3277
Email: David.daniels@islington.gov.uk