

## Report of Housing Leeds award of the domestic heating contract 2014 - 2016

### Report to Director of Environments & Housing

Date: 24<sup>th</sup> March 2014

**Subject: The award of the domestic heating contract 2014 – 2016, following procurement through a framework**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):Housing Leeds East (formerly ENE homes)	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Not for Publication 'Appendix A, B & C to this report is designated as exempt under Access to Information Procedure Rule 10.4(3). Appendix number: <ul style="list-style-type: none"> <li>• Appendix A</li> <li>• Appendix B</li> <li>• Appendix D</li> </ul>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

### Summary of main issues

1. The current heating installation contract runs out in April 2014
2. The use of a framework to procure the work to help achieve & demonstrate value for money. This work was tendered and split between labour & materials into various lots.
3. A robust joint procurement exercise took place between Housing Leeds/Efficiency North/PPPU to establish a preferred contractor and various lots, call offs of heating materials. This contract is for a two year term plus a one year extension if required and will predominately operate in the area previously managed by ENE homes.

### Recommendations

1. It is recommended that the Director of Environments & Housing approves the award of this contract to V& T Aqua for the labour element. To note that through procure plus materials framework, Plumbing Trade Supplies (PTS) will provide materials from various manufactures that were successful in the tendered lots and call off.
  - Boilers – Baxi on a call off arrangement – re`alise framework

- Heating controls – Danfoss – re`alise LCC mini competition lot 21
- Radiator valves – Pegler – re`alise LCC mini competition lot 22
- Radiators – Stelrad – re`alise LCC mini competition lot 18
- Chemical water treatment – re`alise LCC mini competition lot 19
- Mechanical water treatment – re`alise LCC mini competition lot 27
- Electric & Gas fires – re`alise LCC mini competition lot 23

## 1. Purpose of this report

- 1.1 The purpose of this report is to seek approval to award V&T Aqua & note that PTS will supply materials for the Leeds City Council City Wide Heating Replacement Programme to residential properties mainly within the former ENE homes area
- 1.2 The recommendation is as a result of a procurement exercise conducted jointly by Housing Leeds/ENorth/PPPU using the ENorth domestic heating procurement framework and re`alise procure plus construction material framework.
- 1.3 **Installations** The successful tenderer has submitted a bid which was scored the highest overall based on a combination of price (60%) and quality (40%) as set out in the tender documents
- 1.4 **Materials – boilers** the preferred supplier for this provision have been identified as a direct call off from the re`alise procure plus framework as being the most competitive on a price only. After having been assessed on quality allowing them to be appointed to the framework. This approach allows Housing Leeds the opportunity to vary suppliers should there be need to do so.
- 1.5 **Materials** - Heating controls, radiators, radiator valves, mechanical & chemical water treatment, gas & electric fires. The successful tenderer have been identified as having submitted a bid on price having already after having been assessed on quality allowing them to be appointed to the framework.

## 2 Background information

- 2.1 The tender process commenced in October 2013 with the establishment of a project team. This team consisted of representatives from all the Mechanical & Electrical teams in Housing Leeds with support and co-ordination from PPPU/PU as well as input and guidance from E/North.
- 2.2 A procurement exercise has been conducted using the E/North domestic heating installation and materials lots.
- 2.3 The tender is Citywide but will predominately be used to deliver works in the Housing Leeds East area formerly East North East Homes
- 2.4 This procurement lots cover labour element of the installation of heating, upgrading of existing heating systems and the fitting of boilers to replace those that have failed. The second lot is for heating materials and these were divided into sub lots for each type of product and exercise was conducted by re`alise procure plus who are E/Norths construction material procurement partner.

The work will be funded through the next two years capital allowance as approved by LCC Executive Board in February 2014 and will be of a value of £1.9m per annum and this is expected to deliver new or improved heating to 730 properties.

### **3 Main issues**

The following companies were invited to tender for Lot 1 the labour element of the works.

• Help Link • Redmond • Henry Boot • Denton Nickels • PIM • Yorkshire Plumbing and heating • FHM (Keepmoat) • V&T Aqua

3.1 The following companies were invited to tender for the heating materials

#### **Radiators**

• ELEKS Foreign Trade Inc • Myson (Rettig UK Ltd) • Quinn Radiators • Stelrad Ltd

#### **Chemical Water Treatment**

• Fernox Cookson Electronics • Sentinel Performance Solutions

#### **Cylinders**

• Baxi Heating UK Ltd • Gledhill Building Products • Johnson & Starley Ltd

#### **Heating Controls**

• Danfoss Randall Ltd • Invensys Controls • Siemens Heating Controls

#### **Radiator Valves**

• Invensys Controls • Myson (Rettig UK Ltd) • Pegler Yorkshire Group

The boilers have been identified as a direct call off from the re`alise framework which has already been subject to a competitive tender process and can be used to draw down the product in the volumes required whilst still allowing flexibility around the use of other products.

#### **Boilers**

• Baxi Heating UK Ltd • Bosch Thermotechnology Ltd • GLOW-WORM (Vaillant Group UK Ltd) • Ideal Boilers Ltd • Vaillant Ltd • Vokera Ltd

3.2 The tender was issued to the companies for the labour element only and then scored on a price (60%) and written quality (40%) submissions. Tenderers were required to respond to several quality related questions and these were scored by a panel made up of officers from Housing Leeds. The scoring process was overseen and managed by a nominated Officer from PPPU/PU.

3.3 The summary of the results of the price and quality submissions are shown in the table below. Full details in appendix A.

Tenderer	(2) Actual Bid Points	(3) Price marks	(4) 70% of (3)	(5) Quality marks	(6) 30% of (5)	Overall Price/Quality marks (4)+(6)
Aqua Interiors	699.1	100	70.00	88.33	26.50	96.50
B	783.07	89.28	62.50	31.11	9.33	71.83
C	1284.77	54.41	38.09	47.22	14.17	52.25
D	1072.91	65.16	45.61	100.00	30.00	75.61
E	977.22	71.54	50.08	82.78	24.83	74.91

3.4 Aqua interiors were ranked in 1<sup>st</sup> place after both the price and quality scores were taken into consideration.

3.5 re`alise undertook a mini tender exercise for the heating system materials and then scored on price as the quality had previously been scored by the re`alise organisation allowing the companies to be included in the mini comp. The scoring process was overseen and managed by a nominated Officer from and PPPU/PU.

3.6 The scores/prices for materials that form part of the heating pack for each property are reported in (Appendix B)

3.7 For the purpose of this exercise the boilers were selected from a previous tender exercise conducted by re`alise, this allows LCC to draw down on any of the selected boiler. The boiler selection was reviewed and a technical evaluation of the boiler was undertaken to determine which boiler most closely fit with the LCC criteria (appendix c).

3.8 This approach allows flexibility around the boiler selection, should the boiler prove troublesome at either install stage or within the warranty period the product can be discontinued. It also allows Housing Leeds to trial other products without being committed to volumes. Baxi are the preferred option as they were closest on specification to LCC`s requirement and were ranked first on price. (Appendix D) This exercise also allows Housing Leeds to determine which warranty they wish to purchase and will be taking up an option from between 2 to 10 years. The warranty covers:- free of charge repair or replacement of components found to be faulty from manufacture. free of charge replacement of the complete unit provided always that the failure is related to a manufacturing fault that cannot be repaired or is uneconomic to repair.

3.9 The overall evaluation/due diligence process has not identified any significant risks in terms of awarding to the successful bidders. All have enough capacity, resource and experience to deliver LCC`s requirement.

3.10 A contract management plan is being developed with the anticipation that a pre-contract meeting can be scheduled upon approval and award of the contract

## 4 Corporate Considerations

### 1.1 Consultation and Engagement

1.1.1 Prior to work commencing each customer will be contacted and a survey of the property will be undertaken and information provided. No leaseholder`s consultation is required as no communal work will be included in this scheme.

### 4.6 Equality and Diversity / Cohesion and Integration

1.1.1 There is no equality and diversity issues related to this contract, an equality impact assessment is attached.

#### **4.7 Council policies and City Priorities**

- 1.1.1 The project meets the Housing and Regeneration City Priority Plan. It will improve the housing conditions increase the SAP & decency rating.
- 1.1.2 Employment and Skills section was evaluated by Employment Leeds as part of the equality evaluation process. As part of this scheme money is set aside by the successful contractor to create training and employment skills. This will be managed and reported on by the framework provider.

#### **4.8 Resources and value for money**

- 1.1.1 The submission of labour costs by Aqua Interiors represents the most economically advantageous tender of the submissions tendered.
- 1.1.2 The submission of boiler prices by Baxi scored against price, quality and the LCC boiler criteria represents best value for the Council.
- 1.1.3 Estimated value of labour and materials is 1.9m per annum which is equally split between labour and materials

#### **4.9 Legal Implications, Access to Information and Call In**

- 1.1.1 The procurement route (D40547) for this contract was on the forward plan for key decisions 27/09/13 and the date of decision 13/11/13.
- 1.1.2 This decision is a Significant Operational Decision and is not subject to call in

#### **4.10 Risk Management**

- 1.1.1 The contract is based upon a NEC form of contract and will be managed by Housing Leeds Capital Programme team. A contract management plan is being developed in line with the provisions made within the NEC documentation; this will be supported and challenged by PPPU/PU. It is essential that the Council is confident in its contract management activities and understanding of the contract obligations and has clearly defined roles and responsibilities. In order to maximise benefits and realise the contracts aims and objectives.

### **5 Conclusions**

- 1.1 A robust procurement exercise has been conducted by Housing Leeds by using the E/North re-align framework and the project has been supported by PPPU/PU
- 1.2 This exercise allows Housing Leeds to benchmark costs obtained through this procurement exercise with other providers or potential providers
- 1.3 Compliant bids were received from 5 firms for the labour element and Aqua Interiors submitted the most competitive bid when price and quality were scored. (Appendix A)
- 1.4 Compliant bids were received from 6 manufacturers for the boiler element and Baxi submitted the most favourable bid when price and quality were scored. (Appendix B & D) The boilers will be purchased through a direct call off process this been identified as the most efficient way forward to ensure value for money as well as the benefit of flexibility using a range of affordable suppliers

1.5 By tendering the labour and materials separately Housing Leeds will benefit by purchasing the materials directly and not paying an on cost or handling fee.

## **6 Recommendations**

1.1 It is recommended that the Director of Environments and Housing approves the award of this contract to Aqua Interiors for the labour element of the work and to note the use of the re`alise procure plus heating materials framework to purchase the materials. The contract period been 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2016 with an estimated value of £1.9m per annum

## **7. Background documents<sup>1</sup>**

1.1 Appendix A – Labour returns

1.2 Appendix B – Sundry heating materials

1.3 Appendix C – Housing Leeds Boiler criteria



Document B1 -  
Material Specification

1.4 Appendix D – Boiler prices

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<sup>1</sup> The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.