

Report of: Chief Officer, Property and Contracts, Housing Leeds

Report to: Director of Environment and Housing

Date: 16th December 2016

Subject: Domestic Heating Class 1 Materials - Procurement route approval.

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

This report seeks the authority to approve spend for the proposed procurement route, and award of contract for the provision of class 1 materials to support the domestic heating servicing and repair contracts in place across the city.

Class 1 materials are currently purchased through Plumbing Trade Supplies. This arrangement was procured via Efficiency North – Re:allies, and is due to expire 31st March 2017 without the option for further extension.

It is proposed the replacement contract will commence 1st April 2017 and the initial contract length will be 2 years with the provision to extend by 2 x 12 months. The total value of this contract over the initial 2 year term is £5.6m

This report aligns with the procurement strategy for citywide gas repairs and maintenance which was approved at Executive Board on the 11th February 2015.

The proposed budget is in line with the HRA Investment Strategy for capital expenditure. Future annual capital budgets will need to take into consideration the spend committed by approval of the recommendations in this report.

The most economical route to procure is to directly appoint from an established external framework removing the need for an EU Procurement exercise. Benchmarking has been carried out to ensure value for money against external contractors and other existing frameworks.

Recommendations

The Director of Environment and Housing is recommended to:

Grant the authority to spend circa £5.6m over the initial 2 year contract term.

To approve the proposed direct call off from Fusion 21 and award a contract to Jewson Limited Trading as Graham for a period of 2 years with the option to extend for a further 2 x 12 months.

1 Purpose of this report

- 1.1 To inform the Director of Environment and Housing of the strategy to procure class 1 material's to support the domestic heating installations, servicing and repairs contracts currently being procured.
- 1.2 To seek authority to spend from capital budget as detailed in recommendation 1.
- 1.3 To seek approval of the proposal to call off from the Fusion 21 external framework, which has been procured in line with EU regulations, and meets the authorities' requirements.
- 1.4 The Council's Contract Procedure Rules (CPRs) Section 3.1.8 requires a delegated decision to undertake procurement activity at the point that the procurement route is chosen.

2 Background information

- 2.1 Procurement activity is ongoing to replace the installation, servicing and repair contracts city wide. This materials contract will support the contractors in delivering the capital works by enabling LCC to purchase the class 1 materials directly.
- 2.2 Class 1 materials have been defined as:
 - Central Heating Boiler
 - Flue Kit
 - Radiators
 - Water Treatment Cleaner
 - Water Treatment Protector
 - Magnetic / Cyclone Filter
 - Scale Arrestor
 - Timers

- Room Thermostat
- Integral Drain Off Valve
- Lockshield Valves
- Thermostatic Radiator Valves
- Electric Fire
- Surrounds
- Air Separator
- Highline Heater
- Hot Water Cylinder

2.3 The existing contract in place to supply these materials is currently delivered by Plumbing Trade Supplies. This contract expires 31st March 2017, with no option to extend further.

3 Main issues

3.4 The current contract includes rebates from manufacturers. These are paid in arrears and are often delayed. A substantial amount of officer time is spent chasing payments of rebates and ensuring that all rebates have been paid. The proposed procurement route is to carry out a direct call off from Fusion 21, which has been procured in line with EU regulations and reviewed by PPPU solicitors. All costs through the Fusion 21 framework are net of rebate.

3.5 KPIs will be revised for this contract to ensure the robust management of performance using information that LCC can quality assure. Contract managers will be engaged throughout the procurement process and a contract management plan will be produced during the procurement, well in advance of the mobilisation period.

3.6 71% of the £5.6m annual spend is spent on boiler units, this has provided the main basis for benchmarking when reviewing the available frameworks. The project team has carried out benchmarking exercises which identified that the base price of the products offered through the Fusion 21 framework are comparable with the existing contract.

3.7 We will have access to the following manufacturers throughout this arrangement:

- Worcester, Baxi, Vaillant, Ideal & Intergas

3.8 The manufacturers are in line with the current manufactures being installed in the city at present as per below table allowing for increased first time fix due to consistent van stocks and appliances.

Boiler	Count	%
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Stock		
Worcester Greenstar	10029	23.60%
Vaillant Ecotec	8174	19.23%
Ideal ISAR	7465	17.56%
Vokera Unica / Compact	3720	8.75%
Baxi Duotech	2771	6.52%
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Total	32159	75.67%

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 PPPU is represented on the Project Team and have provided advice on the procurement route.
- 4.1.2 The incumbent contractor has been consulted with regards to the expiration of their contract.
- 4.1.3 Communication with framework providers commenced in June 2016 to ascertain what options for call off they offered as well as the manufacturers appointed to the framework particularly with regards to boilers.
- 4.1.4 No leaseholder consultation is appropriate for this provision as no works will be carried out in leaseholder properties or communal areas.
- 4.1.5 Tenants will be communicated with where appropriate when work is due to commence on the property. This will be carried out by Housing Leeds and the servicing, repair and installation contractors, rather than the materials providers.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 The Equality, Diversity, Cohesion and Integration Screening (ECDI) document has been completed and there are no specific implications with respect to the proposed procurement strategy.

4.3 Council policies and Best Council Plan

- 4.3.1 The domestic heating strategy links to the Vision for Leeds 2011 – 2030, specifically the ‘Best city... to live’ objectives which state that “Leeds will be a great place to live with good housing...” where “houses to rent and buy will meet the needs of people at different stages of their lives” and “local people benefit from regeneration investment”. The strategy also links to the City Priority Plan 2011 – 2015 which aims to “increase the number of properties with improved energy efficiency measures”, and “increase the number of properties which achieve the decency standard”.

4.2 Resources and value for money

- 4.2.2 A project team was established to deliver the domestic heating project which includes resources from Housing Leeds and PPPU, this team will deliver all procurements relating to gas fuelled domestic heating. Resources will be

identified to deliver contract management, through the development of the contract management plan.

4.2.3 The project team has carried out benchmarking exercises which identified that the base price of the products offered through the Fusion 21 framework are comparable with the existing contract

4.2.4 Due diligence will be undertaken on price through the call off process to ensure that the manufacturers framework prices can be practically delivered.

4.3 Legal Implications, Access to Information and Call In

4.3.1 Advice has been sought from PPPU with regards to the EU implications of this procurement activity.

4.3.2 This is a Key Decision. The report does not contain confidential or exempt information and will be subject to call-in.

4.4 Risk Management

4.4.1 The main risk identified is that without procuring this provision Housing Leeds would need to seek alternative provision of materials to accompany the capital installations programme. This could result in significant non contract spend which would be in breach of the EU threshold for supplies arrangements.

5 Conclusions

5.1 The procurement of this contract provides value for money, and ensures compliancy with CPR's and EU Regulations.

6 Recommendations

The Director of Environment and Housing is recommended to:

6.1 Grant the authority to spend circa £5.6m over the initial 2 year contract term.

6.2 To approve the proposed direct call off from Fusion 21 and award a contract to Jewson Limited - Trading as Graham for a period of 2 years with the option to extend for a further 2 x 12 months.

7 Background documents¹

7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

