

Report of: Senior Housing Contracts Officer

Report to: Director of Resources and Housing

Date: 07/07/2017

Subject: Proposal to award a contract to replace the heating system at West Park Drive East.

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): Roundhay		
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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number: 10.4.3 Appendix 1 and 2 to this report has been marked as exempt under Access to Information Procedure Rules 10.4 (3) on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) which, if disclosed to the public, would, or would be likely to prejudice the commercial interests of that person or of the Council. The information is exempt if and for so long as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. In this case the report author considers that it is in the public interest to maintain the exemption.		

Summary of main issues

1. On 16 December 2016 the Director of Environment and Housing authorised a request to progress the procurement of a new contract to decommission the existing district heating system at West Park Drive East and install new individual heating systems to tenanted properties and offer the same service to leaseholders and one free hold property connected to the existing district heating system.
2. Following a competitive tender process and evaluation of the submissions received, the purpose of this report is to seek approval to award the contract to Mears Ltd.
3. The decision to award the contract is a significant operational decision.

Recommendations

4. The Chief Officer of Property and Contracts is recommended to note the contents of this report and approve the appointment of Mears Ltd. This is for the provision of decommissioning the existing district heating system at West Park Drive East and installing new individual heating systems to tenanted properties and offering the same service to leaseholders and one free hold property connected to the existing district heating system. The contract will commence on 24th July 2017.

1 Purpose of this report

- 1.1 The purpose of this report is to seek approval to award a new contract for the provision of decommissioning the existing district heating system at West Park Drive East and installing new individual heating systems to tenanted properties and offering the same service to leaseholders and one free hold property connected to the existing district heating system.
- 1.2 The agreement is proposed to commence on 24th July 2017 with a proposed contract period of 4 months ending on 24th November 2017.
- 1.3 Based on the schedule of rates submitted, the contract value is approximately £218,000.
- 1.4 Following the evaluation of the submitted bids, using a price/quality ratio of 60% price and 40% quality, and the tender evaluation criteria set out in the tender documentation this report seeks to authorise awarding Mears Ltd the contract.

2 Background information

- 2.1 The existing system boilers need replacing (running at 75% capacity at present). The pipework and radiators are approx. 60 years old (blocks built in 1957). There have been a number of complaints in relation to the quality / reliability of the system and this is rising all the time. The radiators are undersized and there is significant heat loss across the system, i.e. performance at the far end of the system is significantly poorer than that near the start.
- 2.2 Following consultation with tenants and leaseholders, the intention is to replace the current antiquated system with individual combination systems in each household and decommission the District Heating System in its entirety.
- 2.3 Leaseholders will be recharged if they choose Leeds City Council to install their new heating system, the same will apply to the one private owner which is connected to the current district heating system. Leaseholders have the option to opt in or out of the scheme.
- 2.4 The cost for decommissioning the existing system will be recharged proportionately to leaseholders and the private owner regardless of whether their new heating system is installed through this contract (as arranged by the Council), or if they decide to make their own arrangements.
- 2.5 The project group (consisting of officers from Property and Contracts and Programmes, Projects and Procurements Unit (PPPU)) have carried out a competitive tendering exercise to procure a replacement system. This aimed to achieve value for money through competition as well as a high level of quality.
- 2.6 The procurement route was approved in December 2016, which was to run a restricted process through Constructionline. This procurement aimed to appoint one contractor for consistency of delivery for tenants/leaseholders, opposed to the use of lots.

3 Main issues

3.1 The tender documentation was issued through the councils' tender portal in YORtender on 23rd December 2016 with a closing date of 1st February 2017.

3.2 Tenders were invited from the following organisations:

British Gas Social Housing Ltd, trading as PH Jones

Mears Limited

Kier Services Limited

Sayes Service Limited

Keepmoat Property Services

Liberty Group

Two tenders were subsequently received, from British Gas Social Housing Ltd, trading as PH Jones and Mears Limited.

3.3 There was no PQQ evaluation because this opportunity was below the Official Journal of the European Union (OJEU) threshold, however because the bidders were selected from Constructionline they had already been through a pre-selection stage.

3.4 The tender submissions were evaluated by representatives from Property and Contracts. This included the Mechanical and Electrical Services Manager, Senior Technical Officer and Senior Housing Contracts Officer.

3.5 The tenders were scored on a 60% cost and a 40% quality. Details of the process and the scoring mechanism were issued to the tenderers as part of the tender documentation. A minimum threshold for the overall quality scores was set at 40%. Any bids which failed to meet this threshold would have been excluded from the tender exercise.

3.6 The pricing evaluation was based on a schedule of rates, with appropriate weightings given to different sections of the pricing schedule. This will be used to develop exact pricing once the individual properties have been surveyed by the successful contractor.

3.7 Tenderers were required to complete and provide all information in accordance with the project instructions for tendering. The evaluation panel reviewed each tender submission and objectively assessed the extent to which each tenderer met each of the specified evaluation criteria. The panel agreed scores for each criteria to ensure the evaluation criteria were consistently applied, with the final score for each bidder being a consensus score.

3.8 An evaluation of the tenderers' responses to the quality criteria requirements was completed by the project tender evaluation panel and quality scores awarded to each tenderer.

3.9 The price evaluation was undertaken independently by a Quantity Surveyor in the Commercial Team within Property & Contracts. The price submitted by the top ranked tender was the lowest received.

- 3.10 However, one of the bids received, by British Gas Social Housing Ltd, trading as PH Jones, was a non-compliant bid and was therefore disqualified.
- 3.11 Under Leasehold Regulations, there must be at least two qualifying bids to be able to fully recharge leaseholders for any works the Council undertakes.
- 3.12 Due to the non-compliant bid received by the second tenderer, the Council required a second qualifying bid in order to comply with the Leasehold Consultation Requirements (England) Regulations 2003.
- 3.13 The Council then approached it's internal service provider, Leeds Building Services (LBS) to provide a price to carry out the works. As LBS are the internal service provider, they were not required to submit a quality evaluation, but only submit a price. This is because, as the Council's internal service provider, the Council can be assured that the quality of works will meet the required minimum standards.
- 3.14 This resulted in having two qualifying bids, complying with the relevant leaseholder regulations.
- 3.15 As the tender documentation stated these scores were then apportioned out of 60% (600) of the points awarded for cost and 40% (400) of the points awarded for quality. A breakdown of these scores are detailed in the confidential appendix 1 attached to this report.
- 3.16 The price submitted by LBS was approximately 16% higher than the tender submission by Mears Ltd (please see attached the confidential appendix 2), when examining the schedule of rates submitted.
- 3.17 This means the recommendation is to award a contract to Mears Ltd. If the price submitted by LBS had been cheaper than that submitted by Mears Ltd, this procurement process would have been abandoned and the work would have been awarded to LBS.

4 Corporate Considerations

4.1 Consultation and Engagement

4.2 Officers within PPPU have been consulted on the tender outcomes and support the proposals set out within this report.

4.2.1 Leaseholders were notified of the Council's intention to procure a new contract for this work under the Leasehold Consultation Requirements (England) Regulations 2003. A legal notice was sent to leaseholders at West Park Drive East which also gave leaseholders the option to nominate contractors they would like to invite to tender. No nominations, comments or observations were received from leaseholders' or Tenants and Residents' Associations. Information on help with financial assistance has been sent out to leaseholders. Leaseholders have been served with a 6 month notice with the intention of decommissioning the existing district heating system, the notice expired on 18th April 2017. Correspondence was sent to Leaseholders on 24th February 2017 with an update on the tender process and asking leaseholders to return the letter stating their intention to opt in

or out of the scheme. A record of all correspondence has been logged. The 2nd legal notice under the Leasehold Consultation Requirements (England) Regulations 2003 was served in May 2017 and expired on 15th June 2017. The notice states leaseholders are responsible for their heating system and must opt in if they would like Leeds City Council to install their new heating system. A record of all correspondence has been logged. **Equality and Diversity / Cohesion and Integration**

4.3.1 The Equality, Diversity, Cohesion and Integration Screening document has been considered and completed. No adverse or otherwise impacts have been identified.

4.4 Council policies and the Best Council Plan

4.4.1 It is paramount that procurement within Leeds City Council is undertaken with a view to ensure openness, transparency and fairness. As such this contract has been procured in line with Leeds City Council's Contract Procedure Rules and the Public Contracts Regulations 2015.

4.4.2 Housing Leeds has a capital programme to improve the living conditions for resident tenants in accordance with Leeds City Council's Strategic Plan for the Capital Housing Programme. This also ensures stock in the Asset Management Strategy is improved to give longer, habitable/rental time and realising value for money by investing in major repairs.

4.4.3 This project will demonstrate the commitment of Leeds City Council to the upkeep, maintenance and investment in housing stock and intention of improving life in the city and communities.

4.4.4 Effective delivery of the Housing Capital Programme supports the council's priorities of being the best city to live and the best city for communities.

4.4.5 There are also environmental gains to be made after the installation of the individual systems. The asset management system will be updated to reflect the improvements therefore feeding into the data cleansing in preparation for the new ICT asset management system.

4.5 Resources and value for money

4.5.1 This procurement exercise has been designed to not only test the market for suppliers with the relevant technical knowledge, competency, experience who can provide the relevant type of services to the standards set by Leeds City Council but also to benchmark and market test value for money for the provision of the works required. This report proposes that the highest scoring contractor which is Mears Ltd, ranked against the tender criteria, is awarded the contract.

4.5.2 The project team was consistent throughout the procurement process with representation from Property & Contracts and PPPU. Due diligence was undertaken on price to ensure that the contract values are realistic and sustainable.

4.6 Legal Implications, Access to Information and Call In

4.6.1 This decision is a significant operational decision which is not subject to call in.

4.6.2 The tender has been evaluated in accordance with the evaluation criteria set out in the tender documents and therefore, provided the services are still required and affordable, the winning bidder must be awarded the contract. Thus, in making the

final decision, the Chief Officer for Property and Contracts should be satisfied that this contract represents best value for the Council.

- 4.6.3 Appendices 1 and 2 of this report are exempt under the Access to Information Procedure Rules 10.4.3. The public interest in maintaining the exemption in relation to the confidential appendices outweighs the public interest in disclosing the information and financial details which, if disclosed would adversely affect the business of the Council and the business affairs of the organisations involved.

4.7 Risk Management

- 4.7.1 A project risk register was developed as part of the pre-tender phase and will be further developed as part of the contract implementation.
- 4.7.2 A Contract Management Plan has been prepared in line with CPR 3.1.16 by the Contract Manager.

5 Conclusions

- 5.1 The procurement process undertaken has been in accordance with the councils' Contracts Procedure Rules and the Public Contracts Regulations 2015, with full guidance and support from PPPU.
- 5.2 Following the tender evaluation process of the bids received, a clear rank order of suppliers has been established taking into consideration both quality and price submissions. Therefore this represents the most economically advantageous tenders for this contract.
- 5.3 This report outlines the results of this process and recommends awarding the contract to the winning bidder Mears Ltd based on the tender evaluation price / quality model.

6 Recommendations

The Director of Resources and Housing is recommended to:

- 6.1 Note the contents of this report and approve the appointment of Mears Ltd. This is for the provision of decommissioning the existing district heating system at West Park Drive East and installing new individual heating systems to tenanted properties and offering the same service to leaseholders and one free hold property connected to the existing district heating system. The contract will commence on 24th July 2017.
- 6.2 To note that the officer responsible for implementation is Andrew Ball, Mechanical and Electrical Services Manager, Housing Leeds.

7 Background documents¹

- 7.1 Appendix 1 – Mears Ltd Tender Submission
- 7.2 Appendix 2 – Leeds Building Services Price Submission

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.