

Report of: Head of Mechanical and Electrical

Report to: Director of Resources and Housing

Date: 17th January 2019

Subject: Domestic Heating Materials Provision – Proposed Contract Extension

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): Citywide	<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

1. Housing Leeds currently have five separate contracts in place for Gas Fuelled Domestic Heating (4 contracts split by area locations in the City) and the Domestic Heating Materials. The range of contracts commenced between April 2016 and July 2017, and all have the provision to extend.
2. The Gas Fuelled Domestic Heating contracts are for 4 years with extensions of up to a further 4 years. The extensions in this area do not need to urgently be determined because the contracts do not expire until March 2020 or later in 2021.
3. However, a decision needs to be taken about the Domestic Heating Materials since the contract is a 2 year contract that expires on 31st March 2019. Discussions have been had about whether to re-procure the contract or extend it, with the extension being the final recommendation.
4. As a result it is proposed that a decision is taken to extend the Domestic Heating Materials contract for 12 months. There are 2 x 12 months extension periods available.

Recommendations

The Director of Resources and Housing is recommended to approve the extension of the DN217570 Domestic Heating Materials contract for 12 months from 1st April 2019 to 31st March 2020. The contractor is Jewson Limited t/a Graham Plumbers Merchant and the approximate value of the extension is £3,000,000 per annum.

1 Purpose of this report

- 1.1. To seek approval to extension of the Domestic Heating Materials contract for 12 months from 1st April 2019 to 31st March 2020 in conjunction with Contract Procedure Rule 21 and as available under the contract.

2 Background information

- 2.1. Leeds City Council has a significant capital programme. The council has a duty to ensure it has adequate resources to repair, maintain and improve its stock.
- 2.2. The following contract is currently in place for Domestic Heating Materials:
 - DN217570 Domestic Heating Materials Provision Jewson Limited trading as Graham Plumbers Merchant £6m over the 2 years – contracts ends 31st March 2019 with a further 2 x 12 months extension available. This was procured through Fusion. The contract started on 1st April 2017.
- 2.3. The Domestic Heating Materials contract was procured separately to the Gas Fuelled Domestic Heating contracts because the decision was to enable the council to meet its investment strategy needs as outlined in the Category Plan.
- 2.4. The Domestic Heating Materials contract comprises of the provision of class1 materials to Leeds City Council.

3 Main issues

- 3.1. In discussion with Procurement and Legal Officers the project team have considered the options available to them.

The contract could be re-tendered, however the disadvantages would be:

- Limited number of suppliers and Framework agreements which can be used
 - The cost of administration required to potentially change supplier
 - The potential loss, as no guarantee of same prices and quality of products even if the same supplier wins the subsequent contract.
- 3.2. The current supplier has been meeting their KPIs and overall performance is good. It is not an option to have no contract in place. Therefore is proposed to seek permission to extend the contract by 12 months has been taken.
 - 3.3. The Gas Fuelled Domestic Heating contracts do not expire until 2020 or 2021 which means that the future Domestic Heating Materials strategy can be considered in conjunction with these contracts. The option of incorporating both contracts together can be looked at in further detail. Dependent on what decision is taken at that point, the Domestic Heating Materials contract does have a further 12 month extension which can be taken to cover the period of 1st April 2020 to 31st March 2021.
 - 3.4. The project delivery and contract management on a day to day basis will be led by the Gas Contracts Manager, payments will be made on a regular basis as prescribed by the contract based on works carried out and will be authorised and managed by the QS team. The team leader will be responsible for the overall contract

management of the works and will work to the contract management plan as required by Contracts Procedure Rules that is in place.

- 3.5. Performance Levels have been specified and the monitoring process outlined; the supplier is currently working to guidelines and achieving clear targets and performance measures within the tender documentation. These will continue to be managed and monitored over any proposed contract extension period during the life of the contract to ensure that the quality of service provided by the supplier is sufficient in accordance with performance indicators.

The Contract Manager will be responsible for ongoing development and managing the following throughout this contract extension period:

- KPI monitoring and reporting processes
- Annual reviews
- Contract Management Plan
- Exit Plan.

4 Corporate Considerations

- 4.1. Consultation and Engagement There has been detailed internal consultation around the proposed extension decision. This has included consultation with the Council's Legal Manager. Given the circumstances detailed in the report the project team are of the opinion that it would be more advantageous to extend the existing arrangements rather than re-procure.**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 and associated contract extensions within Leeds City Council are undertaken with a view to ensure openness, transparency and fairness and in line with Leeds City Councils' Contract Procedure Rules.
- 4.4.2. This contract will contribute to the delivery of the following Councils' policies and priorities:

Working with communities;

- Safer and Stronger Communities
- Best city for communities
- Spending money wisely.

4.5. Resources and value for money

- 4.5.1 This contract has been benchmarked against the E-North framework and costs are in line with market rates.

4.6. Legal Implications, Access to Information and Call In

- 4.6.1. The Chief Officer for Property and Contracts, the Legal Manager and Procurement officers have been consulted during the procurement process.
- 4.6.2. This is a key decision and will be subject to call in and the proposal has been placed on the list of forthcoming key decisions and is due to expire 18th January 2019

4.7. Risk Management

- 4.7.1. A risk register is currently in place and will continue to be developed and managed as part of the contract. This highlights all risks and determine how contract risks will be managed. The risk register is also form part of the scheme's Contract Management Plan.

5 Conclusions

- 5.1. There is an ongoing requirement to provide Domestic Heating Materials.
- 5.2. The proposed contract extension will be supported by a clearly defined specification, stock data and robust arrangements for contract management.
- 5.3. The contractor is currently delivering a satisfactory service and working to and achieving the required key performance indicators and value for money
- 5.4. Two 12 month extension periods are available and the first of these will be executed.

6 Recommendations

The Director of Resources and Housing is recommended to approve:

The extension of DN217570 Domestic Heating Materials Provision for 12 months from 1st April 2019 to 31st March 2020. The contractor is Jewson Limited t/a Graham Plumbers Merchant and the approximate value of the extension is £3,000,000.

Background documents¹

N/A

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.

