

Report of: Head of Mechanical & Electrical

Report to: Director of Resources and Housing

Date: 6/12/19

Subject: Domestic Heating Materials Provision – Proposed Contract Extension

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<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
Will the decision be open 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: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary

1. Main issues

- The Domestic Heating Materials Provision was recently extended until 31/03/2020, with remaining opportunity to extend for a further 12 months.
- The materials contract supplements the Gas Fuelled Domestic Heating Servicing, Repair & Installations contracts across the city, these contracts run until 2024/2025 if utilising all available extensions at the appropriate times.
- As a result it is proposed that a decision is taken to utilise the remaining 12 month extension and extend the Domestic Heating Materials contract for a further 12 months.
- Following the implementation of this final extension term and prior to its expiry in March 2021, re-procurement of the Domestic Heating Materials contract will commence and subsequently lead to a new contract for a length of 3 to 4 years in order to ensure that the Domestic Heating Materials contract expires at the same time as the Gas Fuelled Domestic Heating Servicing, Repair & Installations contracts, when they come to an end in 2024/25. Thereafter, consideration will be given to procuring a combined contract for the Domestic Heating Materials Provision and Gas Fuelled Domestic Heating Servicing, Repair & Installations.

2. Best Council Plan Implications

- The works undertaken throughout this remaining contract term and extended term will contribute to the Best Council Plan by supporting Housing.

3. Resource Implications

- The estimated value of extending this contract is £3,000,000
- Procurement activity will need to commence to replace the provision following expiration of the extension term to ensure the ongoing need is met.

Recommendations

- a) The Director of Resources & Housing is recommended to approve the extension of the DN217570 Domestic Heating Materials contract for 12 months from 1st April 2020 to 31st March 2021. The contractor is Jewson Limited t/a Graham Plumbers Merchant and the approximate value of the extension is £3,000,000.

1. Purpose of this report

- 1.1 To seek approval to extend the Domestic Heating Materials contract for 12 months from 1st April 2020 to 31st March 2021 in accordance with Contract Procedure Rule 21 and as available under the contract.

2. Background information

- 2.1 Leeds City Council has a significant capital repair 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 to provide Class 1 Materials to support the Gas Fuelled Domestic Heating contracts and associated installations programme:
 - DN217570 – Domestic Heating Materials Provision – Jewson Limited, T/A Graham Plumbers Merchant, £3m per annum.
- 2.3 The contract was procured via a Fusion 21 Heating Systems Framework.
- 2.4 This contract was procured separately to the Gas Fuelled Domestic Heating Contracts, to support the investment strategy outlined in the category plan.
- 2.5 The materials contract supplements the Gas Fuelled Domestic Heating Servicing, Repair and Installation contracts across the city, these contracts run until 2024/2025 if all extensions are utilised at the appropriate times.

3. Main issues

- 3.1 As a result of the above, the project team consider that it would be prudent to take up the remaining contract extension as it provides value for money for the Council with quality materials from a known contractor to a specification required by the Service.
- 3.2 The current supplier has been meeting KPIs and overall performance is good, with no justification identified to not offer the final term of extension, it is proposed the extension is implemented to continue the consistent delivery of class 1 materials.

- 3.3 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.
- 3.4 The Gas Fuelled Domestic Heating contracts do not expire until 2020 or 2021, and are planned to be extended by the full provisions available if approved 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 as mentioned above once the Gas Fuelled Domestic Heating contracts are due for re-procurement, possibly in 2024/25.

4. Corporate considerations

4.1 Consultation and engagement

4.1.1 There has been detailed internal consultation around the proposed extension decision. This has included consultation with the Procurement Manager in Procurement and Commercial Services. 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**

4.2.1 The Equality, Diversity, Cohesion and Integration Screening document has been considered and completed at contract award. No adverse or otherwise impacts were identified, nothing is anticipated to have changed.

4.3 Council policies and the Best Council Plan

4.3.1 The materials purchased throughout the remaining contract term and extended term will support the Gas Fuelled Domestic Heating contracts and contribute to the Best City Priorities of:

4.3.1.1 'Housing of the right quality, type, tenure & affordability'

4.3.1.2 Improving energy performance in homes, reducing fuel poverty.

4.3.2 Climate Emergency:

4.3.2.1 At Full Council on 27th March 2019, Leeds City Council passed a motion declaring a Climate Emergency. In addition, the Leeds Climate Commission have proposed a series of science based carbon reduction targets for the city so that Leeds can play its part in keeping global average surface temperatures to no more than 1.5c.

4.3.2.2 The items purchased in this contract includes boilers and related parts. Installation of new more energy efficient boilers in tenant homes will reduce the amount of energy required to run the boiler, heat water and therefore reduce the carbon emissions from each home. The signed agreement from Fusion 21, the Framework provider, LCC and Contractor contains 7 objectives which are laid out below. All of the below will contribute positively with the targets laid out by Leeds Climate Commission.

- Carbon: To minimise carbon emissions.
- Water: to optimise the opportunities for efficient water use, reuse and recycling.
- Waste: To optimise the reduction of waste through design, and to maximise the reuse and recycling of material arising during demolition, remediation and construction
- Materials: To identify, source, and use environmentally and socially responsible materials.
- Employment and Business: To create new employment and business opportunities locally, regionally and nationally.
- Inclusion: To involve, communicate and consult effectively with stakeholders and the diverse communities involved with Fusion 21.
- Fuel Poverty: Improving energy performance and efficiency in home with updated and energy efficient boilers and related parts.

4.4 Resources, procurement and value for money

4.4.1 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 Gas Contracts Manager will be responsible for the overall contract management of the work and will work to the contract management plan.

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

4.4.2.1 KPI monitoring & reporting

4.4.2.2 Annual reviews

4.4.2.3 Contract management plan

4.4.2.4 Exit plan

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

4.5 Legal implications, access to information, and call-in

4.5.1 This is a significant operational decision, subsequent to the original award decision and will not be subject to call in. There are no grounds for keeping the contents of this report confidential under the Access to Information Rules.

4.5.2 Whilst there are no legal implications in taking up the extension (assuming it is to be taken up in line with the terms of the framework agreement), in making their final decision, the Director of Resources and Housing should be satisfied that the course of action proposed represents best value for the Council.

4.6 Risk management

4.6.1 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 This 12 months extension is the last available extension provision of this contract. Therefore re-procurement will commence in advance of its expiration.

6. Recommendations

- 6.1 The Director of Resources & Housing is recommended to approve the extension of the DN217570 Domestic Heating Materials contract for 12 months from 1st April 2020 to 31st March 2021. The contractor is Jewson Limited t/a Graham Plumbers Merchant and the approximate value of the extension is £3,000,000 per annum.

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.