

**Report of: Head of Property Management**

**Report to: Director of Resources & Housing**

**Date: 18<sup>th</sup> January 2021**

**Subject: DN515242 – Procurement Strategy Report in connection with the supply of Domestic Heating Materials to support the delivery of gas servicing contracts**

Are specific electoral wards affected? If yes, name(s) of ward(s): N/A – citywide	<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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: 10.4 (3) Appendix number: Confidential Appendix 1 – Benchmarking	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

## Summary

### 1. Main issues

- The current contract for Domestic Heating - Materials Provision (DN217570) expires on 31<sup>st</sup> March 2021 with no further option to extend. The current provider Jewson Limited (T/A Graham Plumbers Merchant) was procured using the Fusion 21 framework and awarded in March 2017.
- This materials contract supplements the Gas Fuelled Domestic Heating Servicing, Repair & Installations contracts across the city (4 contracts split by location). These contracts expire between 31<sup>st</sup> March 2024 and 31<sup>st</sup> March 2025 if utilising all available extensions at the appropriate times.
- This report outlines the procurement options available to replace the existing contract for the materials provision, along with a recommendation to approve a direct call-off from an existing third party Find a Tender compliant framework - Procure Plus.

### 2. Best Council Plan implications (see the [latest version of the Best Council Plan](#))

- One of the Best Council Plan 2020-2025 priorities is **Housing**:
  - Housing of the right quality, type, tenure and affordability in the right place
  - Improving energy performance in homes, reducing fuel poverty

- More details of how this scheme impacts these priorities will be outlined later in the report.

### **3. Resource implications**

- The estimated contract value is £4 million per annum or potentially £16 million in total including extensions, to a maximum of 4 years and based on a Schedule of Rates.
- Actual spend may vary depending on the materials required during servicing, maintenance and repairs of domestic council properties.
- A benchmarking exercise carried out in October - November 2020 has indicated that the recommended route would lead to the below approximate savings compared with the current framework arrangement:
  - a. Boiler-only replacement jobs = approximately 20% saving
  - b. Full central heating installs = approximately 10% saving
- More detail of the above savings can be found in section 4.4.3.

### **Recommendations**

The Director of Resources and Housing is recommended to note the contents of this report and approve the recommended procurement route of a direct call-off to Plumbing Trade Supplies / City Plumbing Supplies (PTS/CPS) using Lot 1 of the Procure Plus framework for the Domestic Heating – Materials Provision. The proposed contract will have a value of £4 million per annum for 2 years, with the option to extend for a further 2 x 12 months, leading to a potential total value of £16 million if both extensions are utilised.

#### **1. Purpose of this report**

- 1.1 The purpose of this report is to outline procurement options and seek approval for the recommended route.

#### **2. Background information**

- 2.1 The current contract for Domestic Heating - Materials Provision (DN217570) expires on 31<sup>st</sup> March 2021 with no further option to extend. The current provider Jewson Limited (T/A Graham Plumbers Merchant) was procured using the Fusion 21 framework.
- 2.2 As with the current contract, the new arrangement will provide Class 1 domestic heating materials (including boilers, valves, radiators etc.) and will supplement the Gas Fuelled Domestic Heating Servicing, Repair & Installations contracts.
- 2.3 It is proposed that the new Domestic Heating Materials contract will have a contract length of 2-4 years (dependent on extensions) to ensure it aligns and expires at the same time as the 4 current Gas Fuelled Domestic Heating Servicing, Repair & Installations contracts between 31<sup>st</sup> March 2024 and 31<sup>st</sup> March 2025.
- 2.4 The re-procurement of this contract is necessary to ensure homes remain heated for resident's health and comfort. The Council has a duty to maintain and improve its housing stock.

### 3. Main issues

- 3.1 As no further extensions are available under the current arrangement, a procurement options appraisal has been carried out to determine the best route forward. The Materials contract is essential in providing heating to domestic council properties so doing nothing was not an option.
- 3.2 Originally, the aim was to work towards a variation to incorporate the materials provision into the existing Servicing & Repair contracts. However, it became clear that this would cost more. This impacted the timescale to implement a new arrangement and has led to time constraints in the re-procurement.
- 3.3 Below is an overview of the options that were considered:

a) **Variation into existing contract arrangements**

The original aim was to vary the existing Servicing, Repair & Installations contracts to incorporate the Materials provision. This seemed the most sensible option due to less contract administration and ease. However, additional research has shown this would not be financially viable and actually more expensive. All three suppliers for the current servicing contracts were approached. Provisional costings and advice from all indicated that the costs would be greater. This provided sufficient due diligence not to follow this route in terms of increased cost to the Council.

b) **Full Find a Tender procurement**

Although it is likely value for money would be ensured through a competitive tender, a full Find a Tender procurement process requires a lot of time and internal resource so this was deemed inappropriate due to the timescales involved. Furthermore, there are numerous Find a Tender compliant frameworks available in the market.

c) **Mini-competition using a third party Find a Tender compliant framework agreement**

There are numerous frameworks that could provide this option. However, due to the timescales involved, a direct call-off was seen to be more suitable.

d) **Direct call-off from a third party Find a Tender compliant framework agreement**

Due to the limited timescale to re-procure, the recommended route is to proceed with a direct award via a third party framework. As well as the quick turnaround, other benefits to this method include access to pre-qualified suppliers that have already gone through a Find a Tender compliant tender process and support / expertise from framework providers.

The following external frameworks were approached – Fusion 21, Procure Plus, Efficiency East Midlands (EEM), Procurement for Housing (PfH) and Cirrus.

- i) **Fusion21** – current arrangement with Jewson, new proposal is multi-supplier framework with possibility to direct award
- ii) **Procure Plus** (part of Re:allies consortia) – single supplier framework with Plumbing Trade Supplies (PTS)

- iii) **EEM** – not suitable - current frameworks due to expire and terms will not permit contract length over 2 years, plus the new one does not commence until April 2021 (too late for our proposed contract start date)
- iv) **PfH** - multi-supplier framework with possibility to direct award
- v) **Cirrus** - multi-supplier framework with possibility to direct award

3.4 An upper level timeline for the direct award is shown below:

<b>Timeline</b>	
Publish on List of Forthcoming Key Decisions	November 2020
Preferred framework route chosen	November 2020
Legal review of framework terms	November / December 2020
Prepare any bespoke contract docs	December 2020
ATP / award report approval	January 2021
Pricing / rate book review	February 2021
Contract award	February 2021
Contract start	1 <sup>st</sup> April 2021

- 3.5 A benchmarking exercise was carried out to include each of the 4 suitable frameworks listed in 3.3d above: Fusion21, Procure Plus, Procurement for Housing and Cirrus.
- 3.6 Each framework was asked to provide prices for a bespoke basket of goods from their top ranked contractors. The basket contained some of the Council's commonly used materials including Ideal, Vaillant and Worcester boiler packs.
- 3.7 Other details requested for comparison included branch locations, warranties and support offered during the contract.
- 3.8 The incumbent provider Jewson was included on these frameworks so they had the opportunity to submit pricing. The top highest ranked contractors were largely similar across the frameworks.
- 3.9 The results of the benchmarking exercise indicated that PTS via the Procure Plus framework was the best value based on cost alone with a 2 year warranty period. Costs provided were 'all-in' with no hidden fees or false impression of value.
- 3.10 Due to the current economic climate and the Council's financial position, cost is currently seen as the most important factor. Warranties of 2 years were decided upon to add to cost savings.
- 3.11 In addition, the proposed account manager for Procure Plus has previous experience of working with the Council on other projects which will be useful during mobilisation. Support from the framework provider includes management of pricing and help with KPIs.
- 3.12 There are 4 PTS branches in Leeds, with the main outlet being in Hunslet so local delivery and collection options are possible.

3.13 More detail on the basket of goods and benchmarking results can be found in Confidential Appendix 1.

## **4. Corporate considerations**

### **4.1 Consultation and engagement**

4.1.1 There has been market engagement with framework providers to determine what frameworks are available and a benchmarking exercise has been carried out.

4.1.2 The Council's Procurement team within Resources & Housing have consulted with the Mechanical & Electrical Services Manager and Gas Services Manager within Property Management in relation to the benchmarking exercise. They support the contents of this report.

4.1.3 Where necessary, legal advice has been sought from the Procurement Legal team within Procurement & Commercial Services, including the review of framework terms.

4.1.4 No leaseholder consultation is appropriate for this provision, as no communal works will be carried out. Tenants will be communicated with where appropriate to do so, once work has been announced on their properties. This will be carried out by Housing Leeds and the Servicing, Repair & Installations contractors, rather than the materials providers.

### **4.2 Equality and diversity / cohesion and integration**

4.2.1 The Equality, Diversity, Cohesion and Integration Screening document has been considered and completed. No adverse impacts were identified.

### **4.3 Council policies and the Best Council Plan**

4.3.1 One of the Best Council Plan 2020-2025 priorities is **Housing**:

- Housing of the right quality, type, tenure and affordability in the right place
- Improving energy performance in homes, reducing fuel poverty.

The Council has a duty to ensure it has adequate resources to repair, maintain and improve its stock. Living in a cold, damp home can have a detrimental impact on the health and wellbeing of residents. This contract is important in providing heating materials to maintain quality of homes and increase energy performance.

#### Climate Emergency

4.3.2 The items purchased in this contract include 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.

4.3.3 One of the objectives of the proposed framework relates to the use of quality sustainable materials and reduction to environmental impact.

#### **4.4 Resources, procurement and value for money**

- 4.4.1 The value of this contract means it must go through a Find a Tender compliant tender process. Third party frameworks have already gone through this process so the proposed route is compliant.
- 4.4.2 The estimated contract value is £4 million per annum based on a Schedule of Rates, or £16 million overall should all 4 years be deemed necessary. Actual spend may vary depending on the materials required during servicing, maintenance and repairs of domestic council properties.
- 4.4.3 Although a direct award is proposed, value for money has been compared through a benchmarking exercise between framework providers. This has indicated that the recommended route would lead to the below approximate savings compared with the current framework arrangement:

- a. Boiler-only replacement jobs = approximately 20% saving

Based on the volume of installs carried out in the complete year of 2019/20, the costs of standard boiler swaps were £2,512,587. Based on this same volume and the costs submitted by Procure Plus, the costs would be £2,019,781 - a decrease of 20%. To obtain these figures, the current standard horizontal flue boiler pack was used with no additional extras such as condensate pumps, vertical flues, flue extensions etc.

- b. Full central heating installs = approximately 10% saving

There will also be a reduction in the costs of the full central heating install work. This is again due to the costings of the boilers. The radiators are slightly more expensive than the current arrangement but this is offset by the boiler costs. The expectation is that there would be a saving of around 10% down from £879,446 to £794,104. As above, to arrive at these figures the current standard horizontal flue boiler pack was used, with no additional extras.

- 4.4.4 Furthermore, the use of the Ideal Logic 30C rather than the Worcester model in the current arrangement will equate to a saving of around £270 per boiler.
- 4.4.5 There would be an increase in the costs of radiator upgrades, although these are fewer in volume than boiler swaps and full central heating upgrades so the cost increase is negligible.

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

- 4.5.1 This is a key decision and subject to call in due to the contract value being over £500k.
- 4.5.2 It was published on the list of forthcoming key decision on 10<sup>th</sup> November 2020.
- 4.5.3 The use of a third party framework is proposed which has already gone through a Find a Tender compliant competitive tender process.
- 4.5.4 As per CPR 12.2, the framework terms and conditions has been reviewed and approved by PACS Legal as Procure Plus is not on the pre-approved list.

- 4.5.5 This procurement and associated contract extensions will be undertaken with a view to ensure openness, transparency and fairness in line with the Council's Contract Procedure Rules.
- 4.5.6 A confidential appendix outlining the results of the benchmarking exercise has been included with this report. The information in Appendix 1 has been identified as exempt/confidential under the Access to Information Rules 10.4 (3). Disclosing the information and financial details would adversely affect the business of the Council and the business affairs of a number of individual companies. Other than this, there are no grounds for keeping the contents of this report confidential under the Access to Information Rules.

## **4.6 Risk management**

- 4.6.1 The contract will be managed by the Gas Services Manager in Property Management who will raise any concerns that may arise during contract delivery.
- 4.6.2 The following are possible risks that could arise from this procurement. However actions have been taken to mitigate them:
- 4.6.3 Uncompetitive pricing – The absence of competition means that pricing is not necessarily going to be as competitive as it would be using a full Find a Tender or mini-competition process. However, the benchmarking exercise has helped to mitigate this risk by allowing a comparison of a commonly used basket of goods.
- 4.6.4 Challenge - It is important that a compliant tender process is followed, especially when doing a direct award. The preferred route is a single supplier framework so we can direct award within the framework terms. The incumbent supplier Jewson was on a number of the frameworks approached so they had a fair opportunity to price through the benchmarking exercise.
- 4.6.5 COVID-19 – The impacts of the coronavirus COVID-19 pandemic are ongoing and difficult to predict. Financial standing of the contractor may be affected but this has been mitigated by a financial check – the supplier is deemed Very Low Risk on Credit Safe.

## **5. Conclusions**

- 5.1 As advised above, there is an ongoing requirement to provide Domestic Heating Materials. The re-procurement of this contract is necessary to ensure heating for resident's health and comfort - the Council has a duty to maintain and improve its housing stock.
- 5.2 This report has outlined the procurement options available along with the recommendations on how to proceed below.

## **6. Recommendations**

- 6.1 The Director of Resources and Housing is recommended to note the contents of this report and approve the recommended procurement route of a direct call-off to Plumbing Trade Supplies / City Plumbing Supplies (PTS/CPS) using Lot 1 of the Procure Plus framework for the Domestic Heating – Materials Provision. The proposed contract will have a value of £4 million per annum for 2 years, with the option to extend for a further 2 x 12 months, leading to a potential total value of £16 million.

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

7.1 None.

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<sup>1</sup> 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.