

Authority to Procure – Citywide Gas Fuelled Domestic Heating – Servicing, Repairs & Installations

Date: December 2022

Report of: Head of Property Management

Report to: Director of Communities, Housing & Environments

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

This report seeks authority to spend and approval for the proposed procurement route, including the scope of service, for gas servicing, repair, and installations provision citywide, inclusive of BITMO.

The Gas (Installation and Use) Regulations 1998 make it mandatory that gas appliances and installations are maintained in a safe condition at all times. Landlords are required by the regulations to ensure that all gas appliances are adequately maintained and that an annual safety check is carried out by a registered tradesperson.

Contracts currently in place with a range of providers are due to expire 31st March 2024, the contracts held in the West area of the City by Liberty Group, do have an additional extension provision of 12 months that could be used to go to 31st March 2025, however in an effort to ensure consistency across the city it is proposed that this extension will not be taken up and all new proposed contractual arrangements will commence from 1st April 2024.

To ensure an appropriate mix of service provision across the city and reduce risk for the Council, it is proposed that the gas servicing, repair, and installations service will be divided into four separate contracts (South, East, West & BITMO). These will be openly advertised under one contract notice on Find a Tender as 4 lots. It is intended that successful tenderers will be restricted to delivering only one lot each. The Public Contracts Regulations 2015 (“the Procurement Regulations”) confirm the ability to restrict lots to a specified number of providers under one procurement exercise.

Each lot will include the delivery of gas servicing and repairs based on a clearly defined specification, random / ad-hoc installations (e.g., emergency replacements) and planned installations. Consideration is being given to whether three largest contracts continue on a labour only basis with regards to the planned activity, or whether contractors will be required to source their own class 1 materials on a supply and install basis.

Recommendations

- a) The Director of Communities, Housing & Environments is recommended to approve the above threshold procurement activity pertaining to the Gas Fuelled Domestic Heating Contracts to establish contracts with 4 providers (1 per lot) for a period of 4 years with the option to extend for a further 4x12 months, split across the following lots.
 - a. Lot 1 – South – upto £4m per annum (subject to inclusion of supply of Class 1 materials alongside capital installations)
 - b. Lot 2 – East – upto £5m per annum (subject to inclusion of supply of Class 1 materials alongside capital installations)
 - c. Lot 3 – West – upto £4m per annum (subject to inclusion of supply of Class 1 materials alongside capital installations)
 - d. Lot 4 – BITMO - £550k per annum

What is this report about?

- 1 This report seeks the authority to procure contracts to ensure compliance with legislation undertaking Gas servicing and installations across the city, inclusive of BITMO.

What impact will this proposal have?

- 2 This procurement will seek to test the market to ensure best value contracts are consistently in place, improve quality of Social Value provision, and garner consistency across the city.

How does this proposal impact the three pillars of the Best City Ambition?

- Health and Wellbeing Inclusive Growth Zero Carbon

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What consultation and engagement has taken place?

Wards affected: Citywide

Have ward members been consulted? Yes No

- 4 Consultation has been ongoing with Trade Unions.

What are the resource implications?

- 5 The estimated annual expenditure across all 4 areas proposed and referred to in the procurement strategy is approximately £14.5m per annum, inclusive of both revenue and capital spend.
- 6 Resources from both Housing Leeds, DIS, and BITMO will be required throughout the development of the strategy, as part of the procurement exercise, preparation for contract mobilisation and contract management phases of the contracts within their respective areas of responsibility.

What are the key risks and how are they being managed?

- 7 Risks to consider are:

- a) Volatility of supply chain – Mitigated by tendering on the basis of supply and install and install only pertaining to capital installations & class 1 materials. In an effort to identify the most efficient solution.
- b) Low Market Interest – Market sounding has been undertaken with a strong level of interest in all lots. Interested parties have been kept up to date with any changes in the proposed timetable

What are the legal implications?

- 8 The value of this procurement exceeds £500k, and this report is therefore a Key Decision.
- 9 Undertaking servicing, and maintenance of gas fuelled heating systems is a legislative requirement as part of the Landlord and Tenant Act (1985).
- 10 The value of this procurement exceeds the FTS threshold, and therefore will be advertised openly via the Find a Tender Service portal in line with PCR2015.
- 11 TUPE is likely to apply should any contractor positioning change as a result of this procurement activity. The transfer will be contractor to contractor. Should any 'Legacy' staff exist in workforces, the Council will ensure appropriate advice is sought with regards to pensions to ensure compliance with 'Best Value Authorities Staff Transfers (Pensions) Direction 2007.

Options, timescales and measuring success

What other options were considered?

- 12 Consideration has been given to accessing suppliers via existing frameworks managed by Efficiency North and Fusion 21. However, in an effort to maximise interest and obtain a range of contractor interest with an emphasise and focus on the needs of Leeds as a city and its residents, supported by the extensive scope and scale of our requirements it is proposed in order to maximise interest that a wider FTS compliant opportunity would be the most effective route to market at this time.
- 13 Consideration is ongoing with regards to the planned element of lots 1-3. Currently contractors deliver this element of the contract on an install only basis with Housing Leeds purchasing Class 1 materials direct from a contracted distributor (Plumbing Trade Supplies). As part of the options appraisal process it has been identified that due to the volatility of the market and need to operate internal resources in a more efficient manner, the Council may consider changing this element of the contract to supply and install. However, to effectively consider whether this is the most cost and resource efficient approach it is proposed that contractors will be requested to price for both approaches as part of this tender exercise, this proposed approach was well received during the market sounding phase. Following submission Housing Leeds will undertake a review to ascertain which approach will be the most cost effective prior to moving forward to contract award.

How will success be measured?

- 14 Benefits realisation activity will be undertaken alongside the procurement, with an intention to document any realised benefits following the first year of the contract.

What is the timetable and who will be responsible for implementation?

- 15 Pas91, and draft tender documentation will be issued to market - w/c 9th January 2023
- 16 Shortlisted tenderers will be invited to tender - w/c 24th April 2023
- 17 Contracts awarded - w/c 18th September 2023

18 Contracts commencement – 1st April 2024

Appendices

- EDCI

Background papers

- None