

# Amendment to Procurement Strategy – Citywide Gas Fuelled Domestic Heating – Servicing, Repairs & Installations

Date: February 2023

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 a decision to amend the procurement strategy from that outlined in the Authority to Procure delegated decision report, published as a Key Decision in December 2022. The Key Decision was taken on 4<sup>th</sup> January 2023 and effective from 12<sup>th</sup> January 2023.

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.

Originally, as stated in the Authority to Procure, tender documents would be published requesting submissions to contain two completed pricing schedules. One pricing schedule would outline the costs for providing labour only services with the other including prices for supply and install of class 1 materials.

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 & Belle Isle Tenant Management Organisation- 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.

The procurement strategy is being amended by withdrawing the requirement to include two pricing schedules in tender submissions. Tenders should now contain only one pricing schedule, for labour only (Lot 4 covering BITMO will remain supply and install).

The procurement strategy is being amended for the following reasons.

- Over the past 18 months we have seen the cost of all materials increase substantially, the past 6 months has seen some of the largest increases. With this in mind and with the costs that Leeds City Council (LCC) obtain materials at versus that of what are offered by the

contractors I believe the Council's best option is to remain as suppliers of Class 1 materials. The Council would have to stand the cost of the increases if they rose year on year as expected.

- The past 18 months has also been the worst supply levels of materials nationally, varying reasons of energy, raw materials etc. Throughout this period, LCC have not had the supply issues that some other organisations have had due to the supply levels of Plumbing Trade Supplies and Procure Plus, it hasn't been perfect but better than expected.
- Finally, the loss of control of the materials supply, with rising costs expected over the next few years the contractors would be able to fit any boiler as LCC cannot specify a manufacturer / model, only an energy rating. Over the past 10 – 15 years a lot of effort has gone into LCC's heating specifications to get it as good as it has ever been, by losing control of this it could result in having poorer quality boilers with a reduced life expectancy compared to what is currently used, part cost increases for subsequent gas contracts, higher volume of repairs etc.

## Recommendations

- a. The Director of Communities, Housing & Environments is recommended to approve the above amendment to the procurement strategy pertaining to the Gas Fuelled Domestic Heating contracts to remove the requirement for tenders to contain prices relating to supply and install of class 1 materials. Tenders will request details of labour only costs (for Lots 1-3, Lot 4 BITMO will continue to be supply and install).

This decision amends paragraph 13 of the Options, Timescales and Measuring Success section of the 'Citywide Gas Fuelled Domestic Heating – Servicing, Repairs & Installations' Key Decision report published in December 2022.

## What is this report about?

- 1 This report seeks approval to amend the procurement strategy pertaining to the Citywide Gas Fuelled Domestic Heating – Servicing, Repairs & Installations contract currently being prepared for tender publication.

## What impact will this proposal have?

- 2 This amendment will allow LCC to retain control over the purchasing of class 1 materials such as boilers. It will enable LCC to use the procurement frameworks best suited to providing the Council with the efficient high-quality boilers required to heat its properties.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

3

## What consultation and engagement has taken place?

Wards affected: Citywide

Have ward members been consulted?

Yes

No

- 4 This decision is supported by the Gas Services Manager, Head of Property Management and was discussed at the Property Management Programme Board on the 7<sup>th</sup> February 2023. Consultation is ongoing with Trade Unions.

### **What are the resource implications?**

- 5 Separate contracts will have to be established to secure the provision of class 1 materials to complement the labour only contracts procured through this process. The procurement team have anticipated this and will address accordingly.
- 6 Resources from both Housing Leeds, DIS, and BITMO are engaged and will be required throughout the implementation of the strategy. This amendment will not impact on the services being procured for BITMO. This will be the smallest of the four lots by value and volume and interested parties will be asked to price for supply and installation of materials.

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

- 7 Risks to consider are:
  - a) LCC may be adversely impacted by continued volatility in the market for class 1 materials. The procurement team will implement mitigation actions and LCC will be better placed to address a volatile market rather than individual gas servicing companies.

### **What are the legal implications?**

- 8 The only legal implications of this decision is that tender documents for the citywide provision of gas servicing, maintenance and installation services will stipulate that tenders should contain a pricing schedule for labour only (Lot 4 providing services to BITMO will remain supply and install).

### **Options, timescales and measuring success**

#### **What other options were considered?**

- 9 This document refers only to the amendment of the procurement strategy and how information in tender submissions should be presented. It will still be an open procurement with interested parties invited to express their interest in providing labour only services to the domestic properties serviced and maintained by Housing Leeds. LCC's internal Service provider (ISP) Leeds Building Services (LBS) was consulted on them delivering these services and it was agreed that it would be more beneficial to go out to the market through an open tender.
- 10 Contractors will deliver the planned element of the contract on an install only basis with Housing Leeds purchasing Class 1 materials direct from a contracted distributor (currently Plumbing Trade Supplies). As part of the options appraisal process it has been identified that due to the volatility of the market the Council will continue with this strategy.

#### **How will success be measured?**

- 11 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?**

- 12 Pas91, and draft tender documentation will be issued to market - w/c 27<sup>th</sup> February 2023
- 13 Shortlisted tenderers will be invited to tender - w/c 15<sup>th</sup> May 2023
- 14 Contracts awarded - w/c 18<sup>th</sup> September 2023

15 Contracts commencement – 1<sup>st</sup> April 2024

**Appendices**

- None

**Background papers**

- None