

CABINET (HOUSING) COMMITTEE

1 FEBRUARY 2012

CABINET

8 FEBRUARY 2012

PACKAGING AND PROCUREMENT OF HEATING MAINTENANCE CONTRACTS

REPORT OF HEAD OF LANDLORD SERVICES

Contact Officer: Richard Botham Tel No: 01962 848421
rbotham@winchester.gov.uk

RECENT REFERENCES:

CAB 1756 - Tender Report – Term Maintenance Contract for Heating & Associated Systems – 10 December 2008.

CAB 1889 - Tender Report – Contracts for Heating Systems Upgrade & Associated Works - 16 September 2009

CAB 2229 - Appointment of Replacement Gas Maintenance Contractor to Council Owned Homes – 22 September 2011

EXECUTIVE SUMMARY:

This report seeks to confirm, and seek approval for, officer recommendations in respect of the re-packaging and procurement of the constituent parts of the existing gas servicing contract.

The report further seeks approval to authorise the Head of Landlord Services to prepare shortlists of tenderers from contractors expressing an interest in one or more contracts, to issue invitations to tender to those firms shortlisted, and to select preferred bidders (subject to approval of the contractor by the Cabinet (Housing) Committee. The shortlists will be compiled on the basis of responses to a Pre-Qualification Questionnaire (PQQ) compiled by the Head of Landlord Services (in consultation with the Head of Legal Services and the Head of Finance).

RECOMMENDATIONS:

1. That the Restricted Procedure be approved for the procurement of Packages 1 and 3 as detailed in the Paragraph 3.5 of the report.
2. That in respect of Package 2, the use of the process in Rule 9.2 c) of the Contracts Procedure Rules (Quotations) be approved.
3. That in respect of Packages 1 and 3, delegated authority be given to the Head of Landlord Services, in consultation with the Head of Legal Services and the Head of Finance, to determine the detailed selection criteria and scoring scheme for the PQQ, select suitable candidates to be invited to tender, evaluate tenders and select preferred bidders, based on lowest sustainable price and the principles set out in the Report.
4. That a tender acceptance report be submitted to Cabinet (Housing) Committee on 20 June 2012 to approve selection of the successful tenderer(s).

TO CABINET

1. That delegated authority be given to Cabinet (Housing) Committee to authorise an extension of the contract period for Package 1 of up to two years past the initial 5 year term.

CABINET (HOUSING) COMMITTEE1 FEBRUARY 2012CABINET8 FEBRUARY 2012PACKAGING AND PROCUREMENT OF HEATING MAINTENANCE CONTRACTSREPORT OF HEAD OF LANDLORD SERVICESDETAIL:1 Background

1.1 Due to the Council's existing contractor, Seaflame Company Ltd. (operating as Kinetics) going into administration on 8 June 2011, at the Cabinet (Housing) Committee on 22 September 2011 (CAB 2229) it was resolved :-

1. That subject to satisfactory references and credit checks, the Head of Landlord Services, in consultation with the Head of Legal Services, be authorised to enter into contractual arrangements with Liberty Gas Group Limited (for the same terms, conditions and rates as originally agreed with 1st Saxon Clenmay) until 30 September, 2012, and that such arrangements be by way of a novation agreement or (subject to the Head of Legal Services being satisfied that the Council is able to do so) a new contract.
2. That a direction be made under Contract Procedure Rule 2.4a to authorise the above arrangements.
3. That, the Head of Landlord Services, in consultation with the Head of Legal Services and Portfolio Holder for Strategic Housing and Landlord Services, be authorised to investigate new ways of packaging and procuring the constituent parts of the existing gas servicing contract with a contract start date of 1 October 2012 and that recommendations emanating therefrom be brought forward to a future meeting of the Cabinet (Housing Committee) for consideration and (subject to recommendation 4 below) approval.

1.2 Cabinet subsequently considered and approved the following recommendation from the Cabinet (Housing) Committee:-

4. That delegated authority be given to the Cabinet (Housing) Committee to deal with the procurement of new contracts, for up to five years in length, for the provision of gas servicing, heating responsive repairs, and boiler replacement services, notwithstanding the financial limits for contracts in the Committee's terms of reference.

Authority is sought in the Recommendations to give delegated authority to the Cabinet (Housing) Committee to authorise the extension of the Package 1 contract (assuming the appointed contractor is performing the contract to an acceptable standard) for a contract period past the initial 5 year term.

- 1.3 The purpose of this report is therefore to confirm, and seek approval for officer recommendations in respect of the re-packaging and procurement of the constituent parts of the existing gas servicing contract.
- 1.4 This report deals solely with the packaging and procurement suggestions so, whilst any appropriate service enhancements can be considered as part of this review, the overall scope, nature of the works and service standards (Appendix A) remain essentially unchanged (and as previously agreed with TACT). Tenant involvement in this procurement process will be managed through the repairs and maintenance scrutiny group on which TACT is fully represented.

2 Packaging Proposals

- 2.1 The existing (single contract) gas servicing contract has traditionally encompassed four packages of works:-
 - Gas Appliance Servicing
 - Solid Fuel Appliance Servicing
 - Responsive repairs to heating systems
 - New installation and upgrade works
- 2.2 Whilst the existing contract has proven reasonably successful in terms of service delivery overall, officers feel that the constituent core entities within the existing contract should be packaged and tendered separately. To this end, the proposed packaging is as follows:-
 - Package 1 - Servicing and responsive repairs to gas fired appliances, including responsive repairs to all central heating distribution pipework, radiators and secondary associated elements (irrespective of boiler fuel type).
 - Package 2 - Servicing and responsive repairs to solid fuel appliances, including cyclic/planned maintenance to appliance and associated elements.
 - Package 3 - new heating installations and boiler upgrade works
- 2.3 Gas fired appliance servicing and associated responsive repairs (Package 1) forms the core of the existing contract. The terms, conditions and service standards contained therein ensure gas appliances are serviced in a timely and safe fashion, and that responsive repairs are actioned quickly and appropriately to ensure heating and hot water is maintained. The small value, large volume, nature of ad-hoc responsive repairs necessitates modern

appointment and resource deployment systems to ensure efficient and co-ordinated working across the District's 250 square miles. For these reasons, it is deemed appropriate that the responsive repairs to all distribution pipework, radiators etc. (irrespective of boiler fuel type) remain together in the same package.

This element of the service is estimated to be worth £650k per annum.

- 2.4 As the existing term maintenance contractor's core business has typically specialised in gas fired appliance maintenance, the solid fuel appliance maintenance (Package 2) has invariably proved difficult and has usually resulted in this element of the work being sub-contracted by the main term contractor to another third party resource. Therefore, in this respect, officers would prefer to contract, and deal directly with, solid fuel specialists. In short, this contract would include servicing and responsive repairs to the solid fuel applicant itself, and also include all cyclic/planned maintenance to appliance associated elements (flue maintenance; chimney sweeping etc.).

This element of the service is estimated to be worth about £40k per annum.

- 2.5 Traditionally, there has been an allowance within the existing contract arrangements for the emergency upgrade of heating appliances with new boilers, should the old appliances fail. Whilst this arrangement allows for the swift replacement of appliances, there is an element of concern that this arrangement can lead to the contractor being too quick to condemn an appliance, rather than repair it. To ensure the maintenance contractor is not guaranteed the immediate replacement of any troublesome appliance, officers would prefer to let all new heating and larger upgrade works as separate contracts (Package 3), and for these separate contracts to include emergency upgrade cover as deemed appropriate. These contracts would include all boiler replacement/major upgrade works irrespective of type (i.e. gas; oil; solid fuel etc.).

This element of the service is estimated to be worth up to £1.5m per annum and will be divided up into various Lots.

3 Procurement Proposals

- 3.1 Packages 1 & 3 are deemed to be "Service Contracts" and above the threshold for the application of European Union (EU) tendering procedures. Therefore the Council is bound by law to follow EU procurement procedures in both the procurement, assessment and awarding of these contracts.
- 3.2 Package 2 is also deemed to be a "Service Contract", but its value is below the EU procurement threshold for this type of work, and therefore this contract will be procured in accordance with the Council's standard contract procedure rules.
- 3.3 The specification for each package will clearly document the processes the successful contractor will be expected to follow, and on which he should base his tender. In essence, the successful tenderer will be expected to comply, as

a minimum, with the documented process. If the successful tender is truly innovative and efficient then this will be reflected in his tender price. This approach should not present itself as a barrier to further innovation and partnership working post contract and, where appropriate, any substantive changes/improvements can be dealt with as formal variations to the contract.

- 3.4 The specifications will also clearly document the performance standards the successful tenderer will be expected to maintain during the term of the contract, together with the corresponding remedies open to the Council under the contract for non/poor performance.
- 3.5 For Packages 1 and 3, the intention is to follow the OJEU Restricted tendering procedure. This is a two-stage process where prospective tenderers register their interest in the works by returning a completed pre-qualification questionnaire (PQQ). The PQQ will allow officers to ensure that all those shortlisted following the PQQ stage are capable of fulfilling the service requirements.
- 3.6 In a change to more recent conventions (40/60 price/quality evaluation respectively), the contract will be awarded to the shortlisted tenderer who submits the lowest (sustainable) price. The capability evaluation will effectively have already taken place at the PQQ stage, leaving the second stage of the process to concentrate solely on selecting the contractor with the lowest sustainable price.
- 3.7 The proposed term for Package 1 is 5 years (with an extension of up to a further 2 years). This term reflects the size and complexity of the contracts balanced against a realistic timeframe within which partnership principles can be developed.

The proposed term for Package 2 is 2 years. This relatively short term reflects the new approach (i.e. dealing direct with smaller solid fuel specialists) to this element of the existing service.

The proposed term for Package 3 is 5 years (with no extensions).

- 3.8 For contractors to be shortlisted they will need to satisfy the Council as to their capabilities and/or competency in the following categories:-
1. Customer service (performance; complaints; KPIs; etc.)
 2. Technical and organisational abilities
 3. Economic and financial standing
 4. Quality assurance
 5. Health & safety.
 6. Equalities/safeguarding
- 3.9 The Head of Landlord Services, in consultation with the Head of Legal Services and Head of Finance, will prepare the detailed selection criteria, PQQ document and scoring scheme, and select candidates who meet the

necessary criteria. Invitations to tender will then be issued to these candidates.

- 3.10 The primary pricing mechanism for evaluating tenders and quotations for all packages will be a schedule of rates. The lowest sustainable tender will be recommended for acceptance to Cabinet (Housing) Committee at its meeting in June 2012.

4 Timescales

- 4.1 The procurement tasks, and corresponding key target dates, (for Packages 1 and 3 only) are as follows:-

<u>Task</u>	<u>Target date</u>
Preparation of PQQs	1 February, 2012.
Issuing of OJEU notice	1 February, 2012.
Receipt of PQQs	9 March, 2012.
Shortlisting of contractors	30 March, 2012.
Approval of shortlist	6 April, 2012.
Dispatch of ITTs (Invitations to Tender)	6 April, 2012.
Receipt of tenders	18 May, 2012.
Award report to Cabinet (Housing) Committee (20 June, 2012)	1 June, 2012.
Completion of lead in/mobilisation and contract start	1 October 2012.

- 4.2 A tender acceptance report is planned for consideration at Cabinet (Housing) Committee on 20 June 2012, where the contractor(s) will be selected for the various packages.

5 Employment Protection

- 5.1 It is likely that the Transfer of Undertakings (Protection of Employment) Regulations 2006, together with such other legal obligations relating to the transfer of employees on the transfer of an undertaking, will apply to Package 1 and some of Package 3. Officers will be contacting the current contractors to ascertain the relevant information, which will then be passed to tenderers as part of the tender documents.

OTHER CONSIDERATIONS:

6 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 6.1 Relevant to the strategic priority of being an efficient and effective Council.
- 6.2 Statutory requirements and deliverance of best value in services provided by Winchester City Council.

7 RESOURCE IMPLICATIONS:

- 7.1 The cost of these service contracts will be met from within next years HRA and capital repairs budget.

8 RISK MANAGEMENT ISSUES

- 8.1 The proposed process has been prepared to comply with relevant EU legislation, and has been based on lowest price. This will minimise the risk of a successful challenge being made to the tender process.
- 8.2 A comprehensive gas servicing and repair contract is essential to meet the Council's legal obligations as a landlord.

9 TACT COMMENTS

- 9.1 TACT reviewed proposals for the retendering of gas related services at its meeting on the 18 January 2012. The proposals were supported unanimously.

BACKGROUND PAPERS

Background papers held in the Landlord Services Teams (other than papers which are exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended)).

APPENDICES:

Appendix A - Existing service standards

APPENDIX A

1 Contract for the maintenance of gas and solid fuel heating systems and associated equipment, within the Council's property portfolio.

1.0 Contract Service Standards

1.1 In brief the Council's Term Mechanical Service Contract specifically ensures the following: -

- (a) An annual inspection (as required by statute) and service of gas appliances/systems including heating appliances (boiler and heaters) radiators, cylinders, storage tanks and all associated pipework from cold water stop cock on rising main to hot water draw off points (not including direct or indirect cold water supplies).
- (b) In cases of breakdown or failure, a 24 hour per day, 365 days per year emergency cover service is provided, with the following response times: -
 - Gas Escapes – within 1 hour
 - Emergency Repairs – within 1 – 3 hours or report
 - Urgent Repairs – same day or within 24 hours of notification
 - Normal Maintenance – within 7 days of report
- (c) A priority override system will be specified where people at risk are without heating both in and out of working hours.
- (d) The same service standards also apply to solid fuel systems.
- (e) Maintaining smoke and carbon monoxide detectors.

1.2 The Term Contract also includes for specific operational, quality and health and safety requirements including the Gas Safety (Installations and Use) Regulations 1998 and Heating Equipment Testing and Approval Scheme Ltd (HETAS) Standards. Further, the contract requires the contractor to produce annual reports in relation to the condition and life expectancy of combustion appliances, other associated equipment, the availability of spare parts and potential ways of enhancing energy efficiency.

2.0 Customer Opinions and Feedback

2.1 Since 1990, tenants have had the opportunity by means of pre-paid return cards to comment on the performance of the contractor as and when both the annual service and “attend to” calls are made. The process has demonstrated that over the term of the current contract service delivery standards are

appropriate and the service performance standards achieved have generally been good, and have been well received by tenants.

3.0 Independent Contract Audit of Works

3.1 Over the term of the existing 5 year contract, independent technical “audits” have been carried out to ensure that the requirements of the specification were being carried out on site.

3.2 The audits have substantially demonstrated that in relation to technical, administrative and health & safety requirements, the existing contractors have been fulfilling their contractual obligations.

3.3 Further, the audits have been valuable in ensuring that all administrative procedures are updated in line with new regulations and codes of practice, and identifying areas of site works where further attention to detail are appropriate.

3.4 Both the Council and the existing contractor have welcomed the constructive comments from the independent engineers and it is planned to continue such protocols over the next contract term.