

REPORT TITLE: HEATING APPLIANCE SERVICING AND RESPONSIVE REPAIRS – CONTRACT AWARD

22 MARCH 2017

REPORT OF PORTFOLIO HOLDER: Cllr Caroline Horrill, Portfolio Holder for Housing Services

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WARD(S): ALL

PURPOSE

This report seeks approval to enter into a term maintenance contract with the preferred bidder (as detailed in the exempt appendix) to carry out appliance servicing and responsive repairs to the Council housing stock.

The procurement process and tender documentation provides for a review after the initial three year term with options to extend up to a further three (i.e. six years maximum) . Any extension beyond the initial three years will be subject to further approvals.

RECOMMENDATIONS:

1. That approval be given to enter into a term maintenance contract with the preferred bidder, as detailed in the exempt appendix, to carry out appliance servicing and responsive repairs for an initial term of three years (1/10/2017 to 30/9/2020)..
2. That, should the preferred bidder withdraw prior to contract, delegated authority be given to the Assistant Director (Chief Housing Officer), in consultation with the Head of Legal Services and Democratic Services and the Head of Finance, to proceed to enter into a term maintenance contract as detailed in recommendation 1 with the next highest scoring bidder.

## IMPLICATIONS:

### 1 COUNCIL STRATEGY OUTCOME

- 1.1 The Council Strategy clearly identifies achieving and maintaining the Decent Homes standard and improving energy efficiency of the Council as key Council priorities.
- 1.2 The effective maintenance of gas appliance is a critical part of the Council's maintenance programmes.

### 2 FINANCIAL IMPLICATIONS

- 2.1 The estimated value for these works was £600,000 per annum (CAB2814 (HSG) refers). The range of tenders received was within expectations and reflects a very active and competitive market.
  - 2.2 HRA current and future budgets are based on the current and anticipated levels of spend on this contract - albeit approximately 50% of the spend is normally demand led. So, although the pricing structure has fundamentally changed within this new contract (from schedule of rate re-measure on completion to a fixed price per property per year), on the face of it, this tender award is anticipated to return similar or lower unit costs overall - and thereby presents no additional pressure on HRA financial resources.
- 3 The cost of this service contract will be met from within next years and subsequent HRA revenue repairs budget, and the expenditure will therefore be approved as part of the normal budget-setting/business planning process. The revenue budget for these works for 2017/18 has already been approved (CAB2893(HSG) refers).

### 4 LEGAL AND PROCUREMENT IMPLICATIONS

- 4.1 The Council is required to service and maintain heating equipment in its domestic premises.
- 4.2 At Cabinet (Housing) on 29 June 2016 (CAB2814 refers) it was resolved :-
  - a) That, for appliance servicing and responsive repairs, delegated authority be given to the Assistant Director (Chief Housing Officer) in consultation with the Head of Legal and Democratic Services and the Head of Finance to select a suitable competitive procurement option, to determine evaluation criteria, to select candidates to be invited to tender or mini competition (existing Framework), and to evaluate tenders and to select a preferred bidder.
  - b) That, for appliance servicing and responsive repairs, the Council's Contracts Procedure Rule paragraph 2.4 b) i be waived, and delegated authority be given to the Assistant Director (Chief Housing Officer) in consultation with the Head of Legal and Democratic Services and the Head of Finance to select and subscribe to (if deemed appropriate and

necessary) an existing external Framework agreement to procure these works.

- 4.3 Consortium Procurement (CP) is the procurement function of the Northern Housing Consortium and covers the whole of the United Kingdom. The key objective of the framework is to appoint supply partners that offer the most economically advantageous tender (in terms of skill, expertise, quality and cost effectiveness) for the member organisations.
- 4.4 CP has a wide range of housing related procurement frameworks and solutions, one of which is the heating systems framework for domestic and commercial heating, Lot 1 of which is for Servicing, Maintenance, Repair and Refurbishment of Domestic Heating Systems. The Council subscribes to CP and is therefore able to use any of CP procurement frameworks. This framework was subsequently reviewed and adopted as an appropriate procurement route, for the following reasons:-
- a) the heating framework was reviewed in detail and it satisfied the Council' s technical needs
  - b) the heating framework is already EU compliant , but allows a further mini-competition to be undertaken to cater for individual client member needs
  - c) the framework has very recently been updated and refreshed for a further 4 years (valid from March 2016 to March 2020)
  - d) the Council already use and subscribe to this consortium framework to procure other services
  - e) the framework price/quality ratio is pre-set and non-negotiable at 40/60 respectively. This satisfied the Member request for a heavier bias towards quality because of the ongoing performance issues with the present supplier
  - f) CP allocate a dedicated procurement specialist to assist officers with all stages
  - g) reduced risk of legal challenge - the framework is tried and tested, and therefore the process is already known, accepted and respected by the supply partners/bidders
  - h) although some of the prospective bidders on the heating framework (10 No. bidders in total) might choose not to enter the further mini-competition (e.g. due to geographical preference), it was anticipated that at least five or six would still take part thus ensuring a competitive exercise took place
  - i) using an existing EU compliant framework provided the best chance of meeting the spring deadline for award of contract and, by so doing, it would also afford both the Council and the successful bidder a long mobilisation period (6 months)
- 4.5 Although the framework agreement has already established the broad terms under which individual contracts will be entered into, the scope of the framework allows sufficient movement to enable client members to refine the specification further in order to reflect their unique requirements and achieve the best results. Once the specification has been refined to meet the client

member call-off requirements, the supply partners/bidders are then asked to submit a price via a “mini-competition”. A mini-competition was undertaken the results of which are available in Exempt Appendix A, B and C.

## 5 WORKFORCE IMPLICATIONS

- 5.1 It is anticipated that all works and duties required by the various internal departments in support of these works will be met from within existing resources.

## 6 PROPERTY AND ASSET IMPLICATIONS

- 6.1 These works have been procured predominantly to ensure heating appliances stay well-maintained, and safe for tenants to use. There are no broader implications on the Council’s property holding and assets.

## 7 CONSULTATION AND COMMUNICATION

- 7.1 Consultation has already been extensive in the run-up to this procurement exercise (see CAB2814 (HSG) refers).
- 7.2 The tenant-led Repairs Performance Review group and Liberty Scrutiny Group have been instrumental in both reviewing the existing issues/problems and in the shaping of the new contract documentation. .
- 7.3 The industry were consulted (via a pre-procurement engagement questionnaire) to help maximise the attractiveness and packaging of the works/services on offer and thereby stimulate a competitive environment.
- 7.4 Members were consulted and fully appraised of the salient issues surrounding these works prior to the procurement process. Amongst other things, this included discussions and the decision not to extend Liberty’s existing contract beyond 30/9/2017 and the suggested future packaging, procurement and contract terms for these services .

## 8 ENVIRONMENTAL CONSIDERATIONS

- 8.1 The effective maintenance of boilers plays an important role in controlling emissions from heating appliances. An important element of this Contract is identifying when boilers require replacement.

## 9 EQUALITY IMPACT ASSESSEMENT

- 9.1 Whilst no formal Equality Impact Assessment is required as part of this Contract award, the service supports all residents with gas appliances and ensures consistent annual service provision is maintained.

10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<p><i>Property</i></p> <p><i>Appliances not maintained</i></p>	<p>Service specification and contract conditions strictly require compliance with servicing regime.</p>	
<p><i>Community Support</i></p> <p><i>Timescales</i></p> <p><i>Preferred bidder withdraws</i></p> <p><i>Failure to enter into contract and/or mobilise by 1/10/2017 and associated costs</i></p>	<p><i>Process provides for next best placed bidder to be appointed or for a re-run procurement process</i></p> <p><i>Mobilisation project group to be established with new service provider to secure delivery</i></p> <p><i>Investigate transitional/bridging arrangements with Liberty, new service provider and/or others.</i></p>	
<p><i>Project capacity</i></p> <p><i>Ability of Housing and other teams to meet timescales set out in mobilisation plan</i></p>	<p><i>Effective mobilisation project planning and monitoring.</i></p>	
<p><i>Financial / VfM</i></p> <p><i>Increased overall service costs</i></p> <p><i>Value for Money not achieved</i></p>	<p><i>Revised pricing model provides greater certainty and costs projected to be within existing budgets.</i></p> <p><i>Competitive process and detailed evaluation clearly tested all bids to determine best value</i></p>	
<p><i>Legal</i></p> <p><i>Risk of Challenge</i></p>	<p><i>Use of an EU compliant Framework, and clear and thorough tender process followed and complied with.</i></p>	

<i>Innovation</i>		
<i>Reputation</i>		
<i>Risk of contract failure or poor performance</i>	<i>Specification tightened compared to previous contract to provide tighter controls on performance.</i>	
<i>Other</i>		

## 11 SUPPORTING INFORMATION:

### 11.1 Background

11.2 In June 2016, Members supported proposals not to extend the existing gas servicing contract and to re-procure the service through an appropriate EU compliant framework.

11.3 Members also considered representations from the Tenant Scrutiny Group which had reviewed existing performance, and supported proposals for evaluating tenders based on a 60% quality/40% price model.

11.4 As stated in para 4 above, the works have been procured through the CP Framework.

11.5 CP coordinated the bid process and reviewed all tenders received to ensure compliance. CP also evaluated bidder price submissions independently of the Council, who undertook the evaluation of Quality submissions (supported by the Chair of the tenant led Scrutiny Panel). CP then undertook "due diligence" checks on the quality assessments before confirming the overall outcome of the competition as set out in the exempt Appendix 3.

### 11.6 Marks allocation for Price (40% max)

- (i) The lowest price attracts the maximum allowable % for the price element - 40%. The other bids are then awarded price points relative to the lowest price. If another price was double that of the lowest then that high bid would receive only 50% of the 40% available (i.e. 20%). The range of prices received, and marks correspondingly allocated for each, are shown in exempt Appendix 1.

### 11.7 Marks allocation for Quality (60% max)

- (i) The quality points have been awarded in relation to how well a bidder has responded to the quality questions set by the Council - from 10 marks (for very good) to 2 marks (for very poor) and in 2 point increments. Each question is also weighted in terms of importance, but the sum of the weightings must total 60%. If a bidder is answering a question with a weighting of 12% and answers the question well, then they might be awarded

$8/10 \times 12\% = 9.6\%$  (of the total 12% max available for that question). The range of quality submissions received, and the marks correspondingly awarded for each, are shown in exempt Appendix B.

#### 11.8 Conclusions

11.9 The submissions suggest a very healthy and competitive market exists for appliance servicing in the south of England. It also suggests that the Council's proposal was attractive and that suppliers regard the Council as an attractive partner.

11.10 In accordance with the evaluation results set out in the exempt appendices, it is recommended that the a term maintenance contract be awarded to the preferred bidder to carry out appliance servicing and responsive repairs for an initial term of three years with effect from 1<sup>st</sup> October 2017.

#### 12 OTHER OPTIONS CONSIDERED AND REJECTED

12.1 The option to extend the current contract for a further two years was rejected (CAB2814(HSG) refers) in light of concerns with current performance.

12.2 Although the competition has now taken place, the Council is still under no obligation to award this contract. That said, the procurement rules dictate that if any award is made then it must be the highest scoring bidder. If the Council decide not to award to the highest scoring bidder, then either the whole competition would need to be re-run or an alternative procurement route found.

#### BACKGROUND DOCUMENTS:-

##### Previous Committee Reports:-

CAB2814 (HSG) – Packaging and Procurement of Heating Maintenance Contracts – 29 June 2016

##### Other Background Documents:-

None

#### APPENDICES:

Exempt Appendix A	Quality Matrix
Exempt Appendix B	Price Matrix
Exempt Appendix C	Evaluation Summary