

<b>Subject:</b>	<b>Procurement of a contract for gas servicing, maintenance and installations</b>		
<b>Date of Meeting:</b>	<b>10<sup>th</sup> September 2014</b>		
<b>Report of:</b>	<b>Executive Director, Environment, Development and Housing</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Sharon Davies</b>	<b>Tel:</b> 29-1295
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<b>Ward(s) affected:</b>	<b>All</b>		

### FOR GENERAL RELEASE

#### 1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The Council is required to re-tender a contract to be offered for annual gas servicing and maintenance including full break-down cover, servicing, maintenance, emergency out of hours maintenance and planned system replacements and/or installations. The Council anticipates that procurement of the contract to cover these areas will provide value for money, reliability and service consistency for tenants.

#### 2. RECOMMENDATIONS:

- 2.1 That Housing Committee agrees to:

(1) The procurement of a contract for the annual gas servicing and maintenance including full break-down cover, servicing, maintenance, emergency out of hours maintenance and planned system replacements and/or installations for a five year period, with an option for extension up to a period of two years.

(2) To give delegated authority to the Executive Director of Environment and Housing in consultation with Executive Director of Finance and Resources to a) award the contract following the recommendations of the evaluation panel and the results of the tendering process and b) approve an extension to the contract if required dependent on performance.

#### 3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The Council is seeking to procure a contract for the for annual gas servicing and maintenance including full break-down cover, servicing, maintenance, emergency out of hours maintenance and planned system replacements and/or installations. The contract will provide the above for the following assets:

- Communal Boiler Systems and associated equipment
- Domestic Boiler Systems and associated equipment

3.2 The current contract began on 1st October 2005 and will terminate on 30<sup>th</sup> September 2015. There are currently two Service Providers delivering the service in Brighton and Hove as follows:

- Mears Group – North and East city area
- P H Jones – Central and West city area

3.3 Current spend on the contract is approximately £5,500,000 each year between the two Service Providers.

3.4 Currently Mears service and maintain 5,888 properties and PH Jones service and maintain 4,385. The overall number of properties could increase due to new gas connections or decrease due to the Right to Buy scheme.

3.5 Since the contract began the following numbers of installations have been completed as part of the boiler replacement programme:

No of installs (2005 - 2015)	PH Jones	Mears
Communal Boilers	6	9
Domestic Boilers	2,885	4,300

3.6 The installation replacement programme will continue as part of the new contract. Boilers are expected to have an average 10 year life cycle.

3.7 Tenders will be evaluated on the basis of a 60% price 40% quality split. The gas industry and landlord servicing is regulated and therefore industry standards will be required as a minimum for quality as part of the qualification stage of the tender. Further scored quality areas will focus on how the Service Provider manages, monitors and develops customer service, customer engagement and their relationship with the council.

3.8 Currently there are two contracts in place to deliver these services across the city. Learning from this 10 year arrangement has led the project group to recommend that the new contact will use one service provider to cover the entire stock. This will provide a more consistent service and economies of scale by reducing procurement and management costs. This will also reduce officer resource needed to review accounts, performance and service delivery between two Service Providers. It is therefore expected that service quality will improve as a result of moving to a single Service Provider.

3.9 The procurement of the contract will be run under an Open Procedure. There will be a fair opportunity for local and new suppliers to bid for the contract which supports our commitment to the Local Labour Scheme and One Planet Living policies. The evaluation process will also ensure that providers have the capacity to deliver the service effectively.

### 3.10 Procurement Timetable:

Task	Due Date
Housing Committee meeting	10 September 2014
If approved at Housing Committee...	
Policy & Resources Committee meeting	16 October 2014
If approved at Policy & Resources Committee...	
Leaseholder Notice of Intention	24 October 2014
Publish Prior Information Notice	28 November 2014
Publish Advert/ITT	19 January 2015
ITT due date	05 March 2015
Evaluation commences	06 March 2015
Director approval of award	28 April 2015
Leaseholder Notification of Landlord's proposal	29 April 2015
Consultation Period	30 April 2015
Initial Award and Standstill Letter out	25 June 2015
Final Award Letter out	06 July 2015
Leaseholder Notice for Award of Contract	06 July 2015
Implementation	09 July 2015
Contract Start	01 October 2015

3.11 The contract will be a partnering agreement and will be structured using the TPC 2005 ACA Standard Form of Contract for Term Partnering.

3.12 Following success in the current contract we will be looking to start the contract on an Open Book style of accounting and the Service Provider will be strictly required to provide financial data on a bi-annual basis.

3.13 The current contract has been successfully delivered with both contractors providing a good level of gas compliance. Performance is reviewed monthly and which will continue as part of the new contract.

3.14 The transfer of staff will apply under this contract and the incumbent Service Providers will be expected to adhere to the TUPE regulations. TUPE information will be requested from both contractors once this report has been presented to Policy and Resources Committee.

## 4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Other options include using more than one Service Provider and splitting the city geographically into lots.

4.2 The rationale for using one Service Provider across the city is supported by the learning from the current contract. As the service is regulated by strict legislation – minimum quality expectations will be met by all Service Providers. Working with one provider across the city will provide consistency, economies of scale, reduce pressure on resources within the council and provide us with the opportunity to

focus our mechanical and electrical resources on improving service delivery to our tenants.

## **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 The Housing department has a programme of continuous engagement with our residents through the various resident groups and representatives attend regular meetings with council officers and Service Providers.
- 5.2 The Council will engage residents in procurement and management of this contract through various groups such as the Area Panels and the Home Group. Additionally two tenant representatives will be engaged in the evaluation stage of this tender - they will be elected through the Home Group and will sign a Non-Disclosure Agreement
- 5.3 Because the contract will cover communal boilers and associated systems Leaseholders will be consulted on the procurement outcome following Section 20 legislation.
- 5.4 Feedback from the Area Panel meetings is provided in Appendix 1.

## **6. CONCLUSION**

- 6.1 The current Gas Servicing contracts across the city will be drawing to a close in October 2015. It is essential that the council procure a provision to continue the high standard of service provide to tenants.
- 6.2 It is recommended that this be delivered through one Service Provider for the city. And that this contract is let for five years with the option of an extension up to a period of two years.

## **7. FINANCIAL & OTHER IMPLICATIONS:**

### **7.1 Financial Implications:**

The main financial implications are contained in the body of this report.

Finance officers will form part of the team evaluating the contract tenders to ensure that value for money is achieved.

The current HRA capital programme and revenue budgets for this contract total approximately £5.5 million per annum, once the contract is awarded and programmes of works have been established, these budget will be reviewed as part of the council's targeted budget management monitoring and updated in the next budget process (which would be 2016/17) .

*Finance Officer Consulted: Susie Allen*

*Date: 02/07/14*

## 7.2 Legal Implications:

The Public Contracts Regulations 2006 will apply to the procurement of this contract.

*Lawyer Consulted:*

*Liz Woodley*

*Date: 02/07/14*

## 7.3 Equalities Implications:

Equality Impact Assessments are carried out on relevant projects undertaken by the council. Gas assets affect the quality of life for all our residents, without discrimination.

Vulnerable tenants will be supported and assisted on an individual basis by the Service Provider and the council.

Fuel poverty is a growing concern for the council and well maintained, regularly serviced, efficient systems provide our tenants with the equipment to heat their homes in a safe and manageable way.

There is a requirement that the successful Service Provider will have an equalities policy which would be reviewed as part of the procurement process.

## 7.4 Sustainability Implications:

The procurement process that will be undertaken for the re-letting of this contract will require the Service Provider to demonstrate that they:

- Have policies in place that will improve energy efficiency and encourage awareness of energy issues in terms of their own operations.
- Have a commitment to reducing waste, reusing and recycling resources used in the delivery of the service wherever possible, and aim to ultimately send a minimum amount of waste to landfill.
- Have a commitment to work with the council to install and maintain energy efficient systems to the benefit of residents and the environment.
- As part of this commitment the Service Provider should encourage low carbon modes of transport and fuel efficient driving, as well as reducing the need to travel.
- Have a commitment to sustainable procurement and consider the whole life cost of goods and services procured on behalf of the council. All aspects of procurement should be assessed to help reduce significant environmental impacts, whilst also maintaining a balance between social and economic needs of the wider community.
- Actively engage with and improve the performance and sustainability of its own supply chain.

## 7.5 Crime & Disorder Implications:

The single Service Provider will be expected to provide branded uniform and photo identification before entering a tenant's property. Tenants will always have a prior appointment made with the provider and will be advised of any changes to

this. Tenants will be advised that they should not let any persons into their property without a prior appointment and photo identification.

7.6 Risk and Opportunity Management Implications:

Risks associated with this procurement will be managed using the corporate risk management methodology.

A risk log will be kept and updated on a monthly basis throughout the procurement exercise in line with recommended project management techniques.

7.7 Public Health Implications:

In line with our legal requirements it is essential that we regularly check the safety of our gas systems. This provides reassurance to our tenants that the systems in their homes are safe to use, regularly serviced and replaced if no longer fit for purpose.

7.8 Corporate / Citywide Implications:

New and well-maintained systems will improve the general environment for our residents and demonstrate the Council's commitment to the wellbeing of local residents. Using one provider will provide the city with a consistency and a recognisable Service Provider.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

Appendix 1: Area Panel Feedback

### **Documents in Members' Rooms**

None

### **Background Documents**

None

## Appendix 1

### Area Panel Feedback:

The below comments are collated from the four area panel meetings that took place on the week commencing 28<sup>th</sup> July. Questions from Residents/Councillors are detailed along with the Officer response.

### East Area Panel:

1. *Resident - 'Will both current Service Providers bid for the contract.'*  
Officer – The procurement process will be an Open one so all interested suppliers will be invited to bid for the award – this invitation will include the current contractors if they wish to.
2. *Resident - 'Will one provider be able to deliver for the whole city?'*  
Officer – Yes this contract is not an unusual size and will be manageable for one provider.

### Central Area Panel:

3. *Resident - 'How much time will be expected from resident involvement?'*  
Officer – A request has already been sent to the Home Group for two tenants to join us - as part of the evaluation panel. The volunteer's will be selected at the Home Group meeting in November and begin work early 2015. I expect between 5 – 10 days to be the total input of work.
4. *Councillor - 'If we use one Service Provider are we at risk of complacency?'*  
Officer – The size of this contract is not unusual so would not be abnormal for one provider to take on. We will still be working in partnership with that provider to review performance. We will - as with our current partnerships - look at the market and areas of improvement throughout the contract. This will not be affected by the use of one provider.
5. *Councillor - 'Will we be able to see proof of economies of scale?'*  
Officer – Currently we use officer time to review two sets of accounts and two sets of performance figures, therefore there is an opportunity to reduce the input here. In addition to this we will look at cost as part of the evaluation process where we expect to see that using one provider will provide better value for money than two.
6. *Resident - 'What strategy would be in place if the Service Provider was to become bankrupt?'*  
Officer - The contract will make provision for withdrawal from the contract, and risk will be addressed through the project team. It is worth noting that even with two Service Providers in place we would not be able to award a contract from one provider to another as this would be against procurement regulations.

7. *Resident - '(I would be) keen to see that quality and safety are important to the service provider.'*  
Officer – The service is heavily regulated with legislation which provides us with additional assurance for quality standards. We can also focus on customer experience and the cost of delivering the contract.
8. *Resident - '(I think) monitoring of one provider should be easier than currently with two.'*  
Officer – Yes, we anticipate that monitoring performance on one provider will be less intensive than currently looking at two.

West Area Panel:

9. *Resident - 'Annual servicing is very positive; always plenty of warning through letter or phone so that residents don't miss appointments or waste time if operative cannot attend.'*  
Officer – We are pleased that you are happy with the current service you are provided. If there are particular aspects to the service delivery that make it stand out then we can look to take those things forward into the new contract; bearing in mind that the Service Provider may be different.