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**REPORT FOR: CABINET**

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<b>Date of Meeting:</b>	19 November 2015
<b>Subject:</b>	Contract Procurement - Commercial Boilers
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Lynne Pennington, Divisional Director of Housing
<b>Portfolio Holder:</b>	Councillor Glen Hearnden, Portfolio Holder for Housing
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes
<b>Wards affected:</b>	All
<b>Enclosures:</b>	None

## **Section 1 – Summary and Recommendations**

This report asks Cabinet for authority to go to the market to procure a communal heating contract and to award a contract or contracts following the outcome of the tendering process to be in place for 1<sup>st</sup> July 16.

**Recommendations:**

Cabinet is requested to:

1. Give authority to officers to undertake a procurement process for

contractors to deliver the communal heating service to the Council's boilers and associated circulation systems in 18 sheltered schemes, 3 general needs housing schemes and 9 community centres. The term of the contract(s) will be for a period of 4 years commencing 01 July 2016 with an estimated value of £750k.

2. Delegate authority to award and to arrange the execution of a contract or contracts with the successful tenderer(s) to the Divisional Director of Housing, following consultation with the Portfolio Holders for Housing and Finance and Major Contracts.

**Reason: (For recommendations)**

Due to the estimated value of the proposed contract we require Cabinet authorisation to comply with the Council's Contract Procedure Rules, and we will also ensure that we are fully compliant with the Public Contracts Regulations 2015.

## **Section 2 – Report**

2.0 The current Communal Heating service is being carried out on a waiver by Quality Heating. The original contractor chose to walk away from this contract without prior notice last year just before Christmas leaving us and our residents seriously compromised, should an emergency have arisen. Our domestic heating contractors, 'Quality Heating' stepped in to take over and the waiver was put in place so that they could continue maintaining our communal boilers, with the view to go to market to secure a new contract as soon as practicably possible.

2.1 The waiver is due to expire on the 6th December 2015 and we will need a further waiver to cover the service until we are able to award a contract. As there will be quite a lengthy procurement exercise, both because of the value of the contract and the need to ensure that improvements in service delivery are protected and maintained, Cabinet approval is required to begin the process of procuring contractors, and to enable a contract award to be made in time to deliver the service from July 2016 onwards.

2.2 Cabinet is asked to delegate authority to award and to arrange the execution of a contract or contracts with the successful tenderer(s) to the Divisional Director of Housing, in consultation with the Portfolio Holders for Housing and Finance and Major Contracts because of the tight timescale for this procurement exercise.

### **2.3 Options considered**

2.4 Other options to a full tendering process were considered and we sought frameworks to draw down from, but there were no suitable ones that we could utilise. As the service is provided to a number of Leaseholders we would also need to build in formal consultation with them to the tender process and this is not supported by drawing down from frameworks.

### **3.0 Background**

3.1 The aim is to award a 4 year contract so that this fits in with the timescale of the existing domestic gas contract. This means that when the contract expires in 2020 there will be the option to procure both elements of the service together with a view to a cost saving in the future.

3.2 It is the intention to tender under an OJEU open tender process as fewer contractors are likely to tender for a commercial heating contract than for a domestic one.

3.3 As detailed above the Communal Heating service has been provided on a waiver since the previous contractor walked away from the contract. The award of a contract will enable officers to plan more effectively and to put in place agreed performance indicators and prioritise urgent works. Improved planning would lead to being able to deliver a more efficient and better value service to our residents.

### **3.4 Implications of the Recommendation**

3.5 Quality Heating have through regular inspections identified that the Council's commercial heating systems are in need of some significant investment over the next few years. Further investigations are underway about what needs to be done and to prioritise works and develop a 4 year plan when, but whilst some works may be to upgrade the boilers themselves, there is also work needed to associated circulation systems.

3.6 It is crucial that upgrade works where vulnerable people are involved are managed well to minimise issues arising from the loss of heating and hot water, particularly during the winter months. We wish to combine repairs, inspection and upgrade of heating systems into a single contract to both assist with developing a deliverable plan and ensure focus on customers remains high at all times.

3.7 In addition to comply with new regulations metering systems will need to be provided for individual residents

### **4.0 Performance Issues**

4.1 The new contractor will be managed effectively from mobilisation, and performance statistics will be reviewed on a monthly basis and monitored. Communications between the contractor and us will be regularly held in order to avoid a potential situation re-occurring.

### **5.0 Environmental Implications**

5.1 It is the intention that the delivery of this contract will contribute to the Council's objectives around social, economic and environmental sustainability. We want to do all we can to ensure that we support Harrow's

economy by buying locally wherever practical and maximise opportunities for local people in employment and training. The contract specification will ensure that tenders provide detailed information about their contribution to the environment and sustainability.

5.2 The detail is still being developed but the expectation will be for the successful contractor to make contributions during the life of the contract such as:

- Targets will be set and monitored for employing apprentices and offering work placements and training opportunities to local young people.
- A supply chain that makes best use of opportunities for Harrow businesses and voluntary and community organisations to compete to participate in our supply chains.
- Promotion of employment opportunities for Harrow residents
- Environmental performance in such areas of reduction of waste, reducing energy costs and reuse of products and materials.
- Supporting Harrow residents and community groups with services and equipment at no or reduced cost.
- Making the existing boilers more energy efficient by improving control mechanisms and associated equipment.
- As we bring improvements to the energy efficiencies of our boilers, less gas will be used which is better for the environment as well as reducing running costs.

## **6.0 Risk Management Implications**

Risk included on Directorate risk register? Yes  
Separate risk register in place? No

6.1 The risks relating to communal heating are included in the Housing Risk Register which contains overarching risks in relation to delivery of the Responsive Repairs service and Capital Programme. Specific risks will be monitored as the project moves forward.

## **7.0 Legal Implications**

7.1 Due to the estimated value of the proposed contracts the procurement must be fully compliant with the Public Contracts Regulations 2015 We will also comply with the Councils Contract Procedure Rules and internal governance.

7.2. There is a requirement to consult leaseholders where the Council proposes to carry out qualifying works or enters into a qualifying long-term agreement for the provision of services. This is set out in the Landlord and Tenant Act 1985 and the Service Charges (Consultation Requirements) (England) Regulations 2003 and is essential if the Council is to be able to lawfully recover from leaseholders the cost of the works to individual premises This requirement is being factored into the project timetable.

7.3 The Council has statutory obligations as landlord to maintain its housing stock and the procurement of these contracts will enable it to meet that statutory duty.

7.4 There may be TUPE implications if any staff of the incumbent contractor are wholly or mainly employed on the Harrow contract and the contract(s) is (are) awarded to a new contractor(s). This will be fully investigated prior to preparation of tender documentation and if TUPE applies both the incumbent and any incoming contractor(s) will be bound to comply with their obligations under TUPE.

## **8.0 Financial Implications**

8.1 The estimated cost of the contract is around £180,000 per annum (a total of £720,000 over the contract term of 4 years). This cost is based on the servicing and ad-hoc repairs elements of the works that must be undertaken, and an estimate for capital upgrades to boilers and circulation systems. This estimated contract cost can be broken down as £30k (servicing) + £70k (reactive works/ad-hoc) and £80k capital upgrades.

8.2 Funds are set aside in the HRA business plan for the delivery of the communal heating servicing over the next 30 years. The contract will be entirely funded from the HRA.

8.3 In preparation for tendering, the contract officers are reviewing the current financial arrangements and whether there is an existing schedule of rates we can utilise to price inspections and repairs, or whether we need to design a bespoke one. Tenderers will be asked to price on a percentage adjustment to the schedule of rates we decide to use and there will be rates for costing each element of the repair.

## **9.0 Equalities implications / Public Sector Equality Duty**

9.1 The procurement exercise is designed to deliver existing policies and strategies maintaining the current level of equality in service provision. The contract specification will be very clear on the equalities related duties on contractors, given the wide range of needs of our customers.

9.2 An initial Equality Impact Assessment has been prepared specifically for the procurement exercise. This identified no need for a full assessment at this stage because it did not identify any potential for unlawful conduct or disproportionate impact. All opportunities to address diversity-particularly vulnerability for all tenants and leaseholders will be addressed through the contract specification and ensure residents receive the same service regardless of, but taking into account specific needs. We will address these in our tendering documents and processes. The assessment will be updated as the project moves forward.

## **10.0 Council Priorities**

10.1 The Council's vision:

## Working Together to Make a Difference for Harrow

This report incorporates the administration's priorities to:

- Making a difference for the most vulnerable
- Making a difference for communities
- Making a difference for local businesses
- Making a difference to families

10.2 The communal heating service is provided to some of the Council's tenants and leaseholders –many of whom are vulnerable. As well as providing heat and hot water to tenants in 18 sheltered housing schemes and tenants and leaseholders in the surrounding area, other commercial boilers provide heat and hot water to our 9 community centres, most of which are all or partially leased for community facilities such as toddler nurseries/ playgroups etc.

10.3 The specification for the contract will ensure that the successful contractor is equipped to provide a high level of customer service to all our residents and users of community centres. In addition every effort will be made to ensure that local businesses are encouraged to submit tenders and that added social value to support communities will be a part of the evaluation process.

### Section 3 - Statutory Officer Clearance

Name: Dave Roberts	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 25 September 2015		
Name: Stephen Dorrian	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 25 September 2015		

<b>Ward Councillors notified:</b>	NO, as it impacts on all Wards
<b>EqIA carried out: EqIA cleared by:</b>	NO, but an initial Equality Impact Assessment was carried out (see above).

## **Section 4 - Contact Details and Background Papers**

**Contact:** Maggie Challoner, Head of Asset Management  
0208 424 1473  
[Maggie.Challoner@harrow.gov.uk](mailto:Maggie.Challoner@harrow.gov.uk)

**Background Papers:** None

**Call-In Waived by the  
Chairman of Overview  
and Scrutiny  
Committee**

**NOT APPLICABLE**

*[Call-in applies]*