
REPORT FOR: CABINET

Date of Meeting: 9 July 2020

Subject: Award of a one year contract to Quality Heating Services for the provision of domestic gas services and approval to proceed with re-procurement

Key Decision: Yes

Responsible Officer: Nick Powell, Divisional Director of Housing

Portfolio Holder: Councillor Philip O'Dell, Portfolio Holder for Housing; Councillor Adam Swersky, Portfolio Holder for Finance and Resources.

Exempt: Appendices 1, 2 & 3 are exempt, under Category 3 of the Exemption Schedule as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

Decision subject to Call-in: Yes

Wards affected: All

Enclosures: Appendix 1: KPIs – Quality Heating Services
Appendix 2: Contract Value
Appendix 3: Upgrades - Basket Rates

Section 1 – Summary and Recommendations

- 1.1 This report asks Cabinet for authority to award a 1 year contract to the incumbent provider Quality Heating Services (QHS) in order to continue to deliver a domestic gas contract for boiler and central heating repairs, servicing, new installations and smoke/carbon monoxide detector servicing to Council homes.

The recommendation for a new contract for an additional year has arisen as a result of the Covid-19 pandemic. The procurement process would otherwise have taken place during the period since lockdown commenced. As services moved to P1 activity it required this procurement to be put on hold. As we move into recovery phase we will look to commence a competitive re-procurement process in the latter part of this year with an award of a longer term new contract for June 2021.

Although the contract expires on 30 June 2020 the contract has financial capacity to continue in the short term and purchase orders are already in place as the works discharge Landlord Health & Safety obligations.

This route has been discussed at Housing Contracts board. As we were not able to extend this contract further, a direct award of a new contract to our incumbent supplier has been advised by our legal colleagues to enable:-

- A continued provision of gas services as per our statutory requirement as a social housing landlord.
- An update of all the necessary documentation to re-procure the contract, and put in place an appropriate tender exercise.

Recommendations:

- 1.2 That Cabinet:

1. Approve the direct award of contract to Quality Heating Services for a period of one year commencing on the 01st July 2020 and terminating on the 30th June 2021. The value of this one year contract is £866,600.00.
2. Approve the commencement of the procurement process for a contractor or contractors to carry out domestic gas boiler and central heating repairs, servicing, new installations and testing of smoke/carbon monoxide detector testing to Council housing properties on a four year contract from 1 July 2021 to 30 June 2025 with an option to extend for up to a further two years (4+2). The total value of this contract(s) for the initial four year term will be £3,466,400.00. The value of the two year contract extension if used will be £1,733,200.00.

3. Delegate authority to the Corporate Director of Community, following consultation with the Portfolio Holder for Housing, Portfolio Holder for Finance and Resources, and Director of Finance to award a new contract(s).

Reason:

1. Due to the estimated value of the proposed contract award we require Cabinet authorisation to comply with the Council's Contract procedure rules.
2. So that we continue to provide this essential service to meet our statutory duties as a landlord across Council homes within the Borough and comply with Health and Safety Gas Regulations.

Section 2 – Report

2. Introductory paragraph

- 2.1 In 2012 the Council let a 4 year contract to Quality Heating Services to undertake the gas repairs, servicing, new boiler and central heating systems and servicing of carbon dioxide and monoxide detectors within the Council's domestic housing stock. This was extended by the Council following approval by Cabinet in May 2015 along with a request for an extension that was granted until 30 June 2020.
- 2.2 We are seeking a new contract via direct award to the incumbent provider (Quality Heating Services) for a period of 12 months so that we can continue to provide this essential service to the Council's stock, until we are able to carry out a tendering exercise and award a contract. All extension options within the current terms and conditions of contract with the provider have been exhausted. We are therefore now requesting Cabinet approval for an additional 1 year contract to the incumbent provider.
- 2.3 Quality Heating Services are currently contracted to provide a service for both the Borough's Domestic and Communal repairs and maintenance. Both contracts expire on 30 June 2020 and this was planned so that we would have the option to review the procurement options available to us for both contracts. With the onset of the current Coronavirus crises the award of contract is also necessary as resources have been diverted to the ongoing pandemic, and we do not have resources at this time to carry out a procurement exercise.
- 2.4 A direct award of contract to the incumbent supplier would ensure that we are able to continue with the repairs and maintenance of our

housing stock whilst we prepare the scope of the future service and the associated procurement tender documents.

- 2.5. Extension of the existing contract has been discussed at Housing Contracts Board, but as all options to extend have been exhausted, Direct award of a new contract has been advised by our legal colleagues to enable a continued service and this provision of service has been discussed between Asset Management and our Procurement colleagues, to enable points as mentioned above in paragraph 2.4.
- 2.6 Due to the Council's statutory obligations as a social landlord it is imperative we have a contract in place to meet gas compliancy to ensure the health and safety of our residents, including those that are elderly and vulnerable. Again this is also vital particularly at this time.
- 2.7 In addition we are also seeking approval to commence a re-procurement process that will culminate in the award of a 4 year contract with an option to extend for a further two years (4+2) and have requested delegated authority to award following the tender exercise.

3.0 Options considered

3.1 Options considered for continued provision of statutory services

(a). Award of new contract to Quality Heating services

- (i) This ensures that staff have sufficient time to put the re-procurement of this service in place. This extra time is particularly significant as we wish to maintain this vital service during such an uncertain time.
- (ii) This option is also particularly attractive as this has been a historically well performing contract, with consistently good KPI performance and solid joint working, as discussed further in Section 4 (Performance Monitoring and KPI) of the report and illustrated further in Appendix 1.
- (iii) Ongoing performance, and performance during our Business Continuity phase has been excellent and Quality Heating have not furloughed employees or have not applied for relief payment from the Council.

(b). Do nothing

- (i) This is not an option due to the statutory nature of this service.

3.2 Options considered for re-procurement of the contract

(a). Open tender and award to one or more providers

- (i) Engaging in an open tender will allow for wider competition, and competitive pricing.

(b). Exploration of procurement frameworks for re-tendering

- (i) Consideration will be given to explore the re-procurement of the contract via a framework agreement and establish if there are cost benefits to the Council without compromising service quality standards. Accessing frameworks may levy an administration fee, so cost will be reviewed against overall value for money and current contract costs.

(c). Do nothing

- (i) Both a new contract award and re-procurement are essential.
- (ii) Doing nothing is not an option, as failure to have a contract provision in place for the delivery of this integral service could result in a breach of Health and Safety Gas Regulations and our statutory responsibilities as a social housing landlord.
- (iii) Failure to award the contract and re-procure appropriately means that the Council will be in breach of our internal governance policies and Contract Procedure Rules.

4.0 Performance Monitoring and Key Performance Indicators

4.1 Performance is monitored regularly through our Contractor Appraisal Panels that are attended by the contractor, monitoring officers and Residents who work in partnership to ensure that a consistently high quality service is delivered. This is further evidenced by residents robustly monitoring performance and challenging any issues that have arisen. Originally held monthly, these panels have moved to bi-monthly because performance is consistently good.

4.2 Resident Contracts Monitoring Representatives have been proactive in monitoring performance. They have visited Quality Heating's offices to undertake quarterly annual audits to ensure that performance figures are robust and service delivery is maximised.

4.3 Gas performance monitoring also forms part of the Housing Department's quarterly monitoring regime. Our gas data has also been transferred to the new Housing compliance IT system C365. This means that we have greater depth of performance reporting available to us as a client.

4.4 **Appendix 1:** Details performance during 2019/2020 for Quality Heating Services and overall the performance has met contract targets.

5.0 Pricing

5.1 **Appendix 2:** Details the 3* contract value

The contract for repairs and servicing is a three star contract, the terms of which are highly competitive and ensures an excellent service to tenants.

5.2 Quality Heating Services have agreed to maintain the current gas contract rate per property at £106.27 (excl. VAT) for our stock of 3,971 properties (as at 2nd June 2020).

This gives a 3* domestic contract value of £550,000 of which £452,000 is for the 3* gas servicing and repairs contract, plus £70,000. for chargeable gas repairs (not included within the 3* gas rate). An additional £28,000 is required for essential H&S repairs and maintenance to gas meter cupboards. An additional £16,600 is required from General Fund for 132 properties. The rates also include associated costs to service smoke and carbon dioxide detectors and provision of a call centre. .

5.3 For new installations, the basket rates for capital (new) installations will increase by 2% (in line with industry standard Building Cost Inflation rates) and are detailed in **Appendix 3**. We have allocated £300,000 from the capital programme.

There is financial capacity within the current contract value as a £300,000 order has been placed with QHS. This programme comprises of the following:

- 1 Bed Flat, maisonette ,bungalow x 17 x £2,833.36 = £48,167.12
- 2 Bed Flat , House x 31 x £3,398.35 = £105,348.85
- 3 Bed House x 35 x £4,042.59 = £141,490.65
- Associated building works = £4993.38

Total properties = 83

Total amount = £300,000.00

All new boilers installed automatically come with a 5 year manufacturer warranty.

5.4 Taking resident calls directly (QHS Call Centre) - QHS continue to take repair and service calls directly from the customer rather than going through Access Harrow. This has meant a more accurate diagnosis and faster response times, all with no extra cost incurred by the Council. Their call centre is also responsible for managing new installations and co-ordinating schedules.

6.0 Social Value benefits

During the term of the contract, there have been a number of social value benefits that have been derived from the contract:

- 6.1 Quality Heating have employed 4 apprentices one of whom is currently working on the contract full time. They also ensure a high percentage of their supplier spend is in Harrow.
- 6.2 Quality Heating Services have provided upgraded appliances in communal kitchens free of charge and sponsored local community events such as Summer Fayre's (donating raffle prizes) and have supported Tenant Association events and Estate Action Days.
- 6.3 More recently, Quality Heating Services have been making contribution to fund events for the most vulnerable tenants within the Borough. This is co-ordinated through our Tenants and Representatives body HFTRA.
- 6.4 Furthermore Quality Heating Services have indicated that they will be continuing with this initiative through the term of the contract. They will also be involved in other one off initiatives as part of their continued social value commitment to Harrow Council.
- 6.5 Quality Heating Services will continue to invest heavily in the development and improvement of their systems to make them accessible and interactive for residents.
- 6.6 Quality Heating Services have also agreed to recruit a new apprentice for 2020/21 and will be proactive in engaging with Harrow Council's Community Engagement strategy.

7.0 Partnership working

- 7.1 All of the above points are important and add value to the contract. Quality Heating Services also put a high value on the opportunity to continue working with Harrow, to ensure that we are truly continuing to work in partnership.
- 7.2 We would like to highlight how pleased we have been with Quality Heating's response and performance in the current Covid-19 crises.
- 7.3 We are also pleased to report that they have maintained consistently high performance rates throughout the last 2 months and compared amongst the best reported in London Sit Rep reports. Use of the contractors Service Centre has meant that customers have been able to directly access its Call Centre. This has been vital in ensuring that the engineers are able to flexibly arrange appointments for vital boiler checks and perform appropriate pre-visit screening.
- 7.4 In re-procuring the contract we would expect the same or improved levels of partnership working in our new contract.

8.0 Current situation

- 8.1 As stated above, the contract award will allow the Council to prepare appropriately for the re-procurement of the domestic heating contract.

We are requesting contract provision via a direct award to the incumbent contractor Quality Heating Services, as:-

- 8.2 More officer time is required to refresh and update the appropriate tender documentation especially in light of new technology and climate change initiatives. This will lead to more efficient systems of working and reporting, delivery of services, resident satisfaction and cost savings for both residents and to the Council.
- 8.3 The new contract tender documents will take into account the Council's relevant policies and statutory obligations to meet gas compliance at 100%. This also includes a provision to ensure we make the best use of available technology and to support Considerate Contractor initiatives.
- 8.4 In addition to the above, the Directorate has also been through a major tender exercise to procure a new IT system and this project has taken considerable resourcing, being a project that has been rolled out across the whole of the Housing Directorate. The re-procurement exercise and award of the gas contracts will run in parallel with this project.

9.0 Innovation and IT improvements.

- 9.1 Quality Heating Services also fully support the IT improvements that are taking place within Harrow and parallel to that, they are also investing in the development and improvement to facilitate further innovation to their own systems.
- 9.2 One particular area of focus for Quality Heating is that they are reviewing current system particularly the digitisation of the service. This will enable resident to report issues online, make a convenient appointment, track job progress, viewing the location of the engineer prior to their arrival and being able to provide customer feedback whilst the job is in progress /when it has been completed, providing a service to residents that would prefer to use online reporting facilities.
- 9.3 In re-procuring the contract we would expect the successful contractor to bring the same or improved levels of partnership working and innovation.
- 9.4 In part of Harrow's response to Climate Change and targets that have been set we are aiming to become Carbon neutral by 2030. As the re-procured contract would run until 2025 we will be jointly working with the successful contractor to agree on ways to implement relevant

measures in response to the Council's declared Climate Emergency. We would expect any successful contractor to also have experience in the implementation of new technology such as ground source heat pumps. This would allow us to gradually move away from the use of gas in our stock towards the back end of this decade.

10.0 Implications of the Recommendation

- 10.1 The recommended path allows us to continue with statutory duties in our domestic dwellings and Council wide premises with a trusted contractor. It also allows us to implement the steps necessary to achieve a robust procurement exercise going forward.
- 10.2 It is also crucial that gas repairs and maintenance continues to a high level of efficiency for all our residents and there is minimum disruption arising from the loss of heating and hot water, particularly during the winter months.
- 10.3 The new contract provision will mean that we will be able to manage our internal resources more efficiently.

11.0 Ward Councillors' comments

- 11.1 The gas maintenance and repairs service affect tenant's dwellings across the Borough and it is Harrow Council's statutory duty as a Social Housing Landlord to carry out the necessary works to ensure the continued safety and wellbeing of our residents.

12.0 Performance issues

- 12.1 We have provided evidence of Quality Heating's performance levels in **Appendix 1**.
- 12.2 Post the tender evaluation and subsequent award; the successful contractor will be managed effectively starting from mobilisation. Performance statistics will be reviewed on a monthly basis and monitored through a combination of KPI's and formal meetings, where any arising issues can be worked through jointly. The resulting data/information will also be uploaded onto SharePoint so that information is more easily accessible to all relevant officers. The appointed contractors will be compliant with Gas Safety regulations 2018.

13.0 Environmental Implications

- 13.1 It is the intention that the delivery of any contract will contribute to the Council's objectives around social, economic and environmental sustainability. The Council intends to do all it can to ensure that it

supports Harrow's economy by buying locally wherever practical and maximise opportunities for local people in employment and training.

- 13.2 Environmental considerations have extra significance as the Council has declared a Climate Emergency. As such the Council will be moving towards ensuring carbon neutrality. With the Council declaring a Climate change emergency we will work together with all partners to ensure that the measures we are putting in place are compliant with this policy.
- 13.3 Where financially practicable we will work with the current contractor Quality Heating Services and any new contractor to ensure that we move towards carbon neutrality. This will mean an exploration and implementation of carbon reducing options such as ground source heat pumps. This is also balanced with the need to reduce residents' fuel bills and fuel poverty within the Borough overall.
- 13.4 The re-procurement will ensure that tenders provide detailed information about their contribution to the environment and sustainability. The tender will require bidders to sign up to the Considerate Contractor Scheme.
- 13.5 Specific requirements on social, economic and environmental matters will vary according to the value and duration of each contract and will be part of the pre-tender procurement documentation for inclusion in the online tender portal.
- 13.6 Where practical the scheme will use products that will help reduce the Council's Carbon footprint. Requirements will be detailed in the specification as part of the procurement exercise.
- 13.7 During 2020/21 we will also be liaising with Quality Heating Services about any potential application of innovation for the duration of the new contract term that will feed into the Council's Climate emergency policy toward our goals of being carbon neutral by 2030.
- 13.8 The contract specification will ensure that tenders provide detailed information about their contribution to the environment and sustainability.
- 13.9 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. Contributing not only to the local economy but reducing 'supply miles'.
 - Environmental performance in such areas of reduction of waste, reducing energy costs and reuse of products and materials.

- Making the existing boilers more energy efficient by improving control mechanisms and other 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.
- Exploring options for, and implementing the introduction of new technology to reduce our stock's carbon footprint.

14. Data Protection Implications

- 14.1 All personal data processed in connection with the contract will be carried out in full compliance with data protection laws including the Data Protection Act 2018 and GDPR.

15. Risk Management Implications

Risk included on Directorate risk register? Yes

Separate risk register in place? Yes

A number of risks have been identified and contingencies planned for:

- 15.1 Key performance indicators are in place to measure and analyse service standards. Deviations are identified at an early stage and corrective action taken.
- 15.2 With reduced capital investment there is a drive to maximise efficiencies through technological improvements in service delivery together with more favourable warranties and grant applications.
- 15.3 In the event Quality Heating Services default on their contract obligations in full or in part the gas contract will transfer to Slade Group on an interim basis until an alternative provider is found
- 15.4 In particular our focus will be on gas compliancy in terms of yearly statutory gas safety checks and servicing of smoke and carbon dioxide detectors. Any issues during yearly checks will be managed on a yearly basis as part of an agreed schedule and will be uploaded on our new compliance database, C365. Any corrective repairs/ upgrades will be carried out by term repair contractors.
- 15.5 Business continuity plans are in place to deal with immediate and short-term risks e.g. working remotely and relocating premises, adopting interim reporting procedure and implementing alternative communications.
- 15.6 Outcome of Covid19 and impact on the industry is yet an unknown. This will be reviewed on regular basis to monitor cost impact.

16. Procurement Implications

As set out in the Options considered section above we are seeking:-

Direct award of contract to the incumbent supplier Quality Heating Services:

- 16.1 The request for the approval of a 1 year contract to be awarded to Quality Heating is supported by the Procurement Team. The value of the contract is under the OJEU threshold for works and as such is not subject to the full scope of the Public Contract Regulations 2015.
- 16.2 The use of waivers to make direct awards is permitted under the Contract Procedure Rules in defined circumstances. The request within this paper is compliant with a number of these circumstances such as:
- (a) **Emergency:** There is a clear need to provide a service or a product immediately in the instance of a sudden unforeseen crisis; the immediate risk is to health, life, property or environment.
 - (b) **Service Imperative: Demonstrable circumstance that is exceptional.**
 - (c) **Extension as a Waiver:** Where an extension to a contract is being sought but it is not possible under the current terms and conditions of the contract.
- 16.3 In respect of the recommendation to approve the commencement of a re-procurement exercise; the Procurement Team will support the service area and ensure any future award is made compliantly and demonstrates value.
- 16.4 An optimum route to market is still to be discussed and agreed but the likely options to be utilised will probably be the use of Open Procedure or the use of an existing compliant framework vehicle.

Our proposed top level evaluation criteria will be:

Price: 40%
Quality: 50%
Social Value: 10%

17. Legal Implications

17.1 We are seeking to directly award a 1 year contract to the incumbent supplier to ensure that we continue to be able to provide a service to Council homes and ensure the safety of our residents as per our statutory duty.

17.2 The values of both the 1 year contract directly awarded to the

incumbent contractor and the re-procurement of the overall service for 4 years plus 2 years, falls below the financial threshold stipulated under the Public Contractor Regulations 2015 (PCRs) in relation to works contracts.

17.3 Therefore, whilst strict adherence to the PCRs is not required for the direct award of the contract to Quality Heating Services and the future procurement exercise, the Council must ensure it complies with the general principles of equal treatment, transparency, mutual recognition and proportionality.

17.4 The award of the contracts complies with the Council's Contract Procedure Rules.

18. Financial Implications

Financial implications of the proposed decision:

18.1 Revenue expenditure for 2020/21 estimated at £566,600.00, made up £550k HRA and £16,600.00 General Fund, although General Fund expenditure expected to increase as the number of properties acquired under Council's Property Acquisition Programme increases.

18.2 Capital expenditure for 2020/21 estimated at £300k and relates to HRA only.

18.3 Purchase order commitments for all these items, with the exception of £16,600.00 for General Fund units, have already been raised therefore to ensure Council discharges its' landlord obligations as referenced in paragraph 2.3.

18.4 Although there is adequate budget for revenue and capital works, some revenue budgets will require reconfiguration to reflect the expenditure profile.

18.5 No lease-holders are affected therefore no Section 20 notices are required to be served.

18.6 Expenditure on HRA units is funded entirely from HRA resources with no requirement to borrow and no impact on General Fund. Expenditure on General Fund units, acquired under the Property Acquisition Programme, is funded from the rental income from those units and reconfiguration of budgets will be required to accommodate the expenditure leaving no overall impact.

18.7 This contracts put in place will pay the London living Wage (LLW).

19.0 Equalities implications / Public Sector Equality Duty

- 19.1 The procurement exercise will be 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.
- 19.2 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 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 contract moves forward.

20.0 Council Priorities

Below we have identified how the decision sought will deliver on some of the Council's priorities:

20.1 Improving the environment and addressing climate change

As previously stated in Section 9 of this report, the re-tendering will take into account modernisation (use of appropriate technology) related to Climate Change, and will encourage implementation of relevant measures in response to the Council's declared Climate Emergency.

As the re-procured contract would run until 2025 we will be jointly working with the successful contractor to agree on ways to implement relevant measures in response to the Council's declared Climate Emergency.

20.2 Addressing health and social care inequality

The procurement exercise will be 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.

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.

Quality Heating Services will also continue to provide a same day service for vulnerable and elderly tenants and service schedules will prioritise replacements for these residents.

20.3 Thriving economy

Section 6 of the report discusses current social value initiatives that are in place and Quality Heating Services have agreed to recruit a new apprentice for 2020/21. Quality Heating will also be proactive in engaging with Harrow Council's Community Engagement strategy.

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.

Quality heating will also continue to use local suppliers (where possible) to ensure a high percentage of their supplier spend is in Harrow.

Section 3 - Statutory Officer Clearance

Name: Tasleem Kazmi	<input type="checkbox"/>	on behalf of the * Chief Financial Officer
Date: 11 th June 2020		

Name: Sarah Inverary	<input type="checkbox"/>	on behalf of the * Monitoring Officer
Date: 9 th June 2020		

Name: Nimesh Mehta	<input checked="" type="checkbox"/>	Head of Procurement
Date: 11 th June 2020		

Name: Paul Walker	<input checked="" type="checkbox"/>	Corporate Director
Date: 18 th June 2020		

MANDATORY**Ward Councillors notified:****No - as impacts all ward****EqIA carried out:****YES** An overarching EQIA was undertaken for the programme**EqIA cleared by:**Directorate Equality Task Group
(DETG) Chair**Section 4 - Contact Details and Background Papers**

Contact: Andrew Campion
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Background Papers: None**Call-In Waived by the
Chair of Overview and
Scrutiny Committee****NO**