

Report for: Cabinet

Date of Meeting:	18 November 2021
Subject:	Request authority to award the Housing domestic and commercial gas contracts.
Key Decision:	Yes
Responsible Officer:	Dipti Patel Corporate Director Community Julian Higson, Divisional Director of Housing Services
Portfolio Holder:	Councillor Philip O'Dell, Portfolio Holder for Housing. Councillor Natasha Proctor, Deputy Leader and Portfolio Holder for Finance and Resources
Exempt:	Partially exempt - Appendices 1 and 2 in the report contains exempt information under Category 3 as information relates to the "Financial or business affairs of the incumbent contractor").
Decision subject to Call-in:	Yes
Wards affected:	All wards
Enclosures:	Appendix 1 –Domestic gas contract award report summary (EXEMPT) Appendix 2 –Commercial gas contract award report summary (EXEMPT)

Section 1 – Summary and Recommendations

This report sets out the results of the tender process for the provision of domestic and commercial gas servicing and upgrades to Council housing.

Recommendations:

Cabinet is requested to:

1. Approve the award of the domestic gas heating contract to Liberty Group for a period of 4 years commencing 28/02/2022 to the 1/03/2026, with an option to extend for a further two years and request delegation of final contractual matters to the Corporate Director Community following consultation with Portfolio Holders for Housing and Finance and Resources.
2. Approve the award of the commercial gas heating systems contract to Thermoserve for a period of 4 years commencing 14/02/2022 to the 15/02/2026, with an option to extend for a further two years and request delegation of final contractual matters to the Corporate Director Community following consultation with Portfolio Holders for Housing and Finance and Resources.
3. Note that approval for the budget and authority to commence procurement inadvertently was not sought for the commercial gas heating systems contract. This recommendation seeks retrospective approval for both the budget and procurement exercise for the commercial gas heating system the award of which is being requested for approval in recommendation 2.
4. Agree that for 2021/22 the part year impact of the contracts, £10,367 and one-off costs of internal project support up to a maximum of £35,000 are funded from the Housing Revenue Account (HRA) repairs reserve.
5. Agree that from 2022/23 the full year cost, £0.878m, of these contracts are funded from following sources:
 - existing revenue budgets within the Housing Revenue Account - £0.600m,
 - Community Centre and General fund budgets -£0.025m
 - the boiler installation, capitalised repairs and unallocated budget within the housing capital programme (min £0.178m to max £0.300m budget permitting),
 - revenue savings of £0.075m from a savings to the contract by converting to new technologies over the term of the contract.

Reasons (for the recommendations):

The approval is being sought so that the contract award can commence in compliance with internal governance and to ensure that we are able to continue to provide essential services to meet our statutory duties as a social housing landlord across Council homes within the Borough, whilst complying with Health and Safety Gas Regulations.

For the domestic as contract the annual contract value of the above contract award is £729,622 per annum with the four-year contract value is £2,918,488 and if we were to exercise our two-year extension option, the total six-year contract value is £4,377,732.

For the Commercial Gas contract the annual contract value of the above commercial gas heating system contract award is £148,778 per annum with the four-year contract value is £595,112 and if we were to exercise our two-year extension option, the total six-year contract value is £892,668.

Section 2 – Report

2.0 Introductory paragraph

- 2.1 Procurement commenced in January 2021 for both the domestic and communal gas contracts with effective contract start date in February 2022.
- 2.2 The procurement process has been managed jointly with Fusion21 consultancy framework provider.
- 2.2 The domestic gas contract is for the statutory provision of essential gas servicing, repairs, new boiler installations and testing of smoke alarms over a 4-year contract period with an option to extend for a further 2 years. This contract is for 3,812 HRA properties and 133 general fund temporary accommodation properties.
- 2.3 The commercial gas contract is for the statutory provision of essential gas servicing and repairs to existing boiler systems on 17 sheltered schemes, 3 general needs blocks and 10 community centres.
- 2.4 In procuring this contract our aim was to ensure that we improve the quality of our provision in this important statutory area. We have detailed in Sections 8 and 9 of this report where we will get an improved service in terms of performance and quality. However, in letting this contract we are also mindful that this is an area which needs to work in tandem with the Council's carbon reduction strategy. The contract is flexible enough to accommodate this changing environment as we will be moving from the provision of gas to the implementation of newer technologies, particularly heat pumps.

3.0 Options considered

1.Domestic gas heating contract

(a). Avoiding delay in award by reducing contract term to current value

This option would have kept the overall contract value in line with the original amount Cabinet approved to procure. However, this would result

in a reduction in the overall contract length and a further procurement exercise. There would be a significant cost in this.

(b). Returning to Cabinet to seek full amount of budget increase to award the contracts as advertised

it was agreed with our legal and procurement colleagues that the best approach would be to go back to Cabinet to seek authority to increase the contract value. Our tender analysis shows that this relates to increased non-fixed repair works. These particular relate to our aging communal boiler stock. As explained above as part of our carbon reduction work we will be replacing gas installs with new technology such as heat pumps. We have already begun this process at 3 of our sheltered sites. We also detail above future progress on this crucial council policy for reducing carbon. The Council has the option to tender these on the open market should it so wish.

2. Communal gas heating contract – authority to award following a tender exercise

(a). Seek authority to enable award of contract

We are seeking approval from cabinet to award as per recommendation number 3. (please see procurement implication section for more detail)

4.0 Implications of the Recommendations

- 4.1 The recommended actions will enable the Council to continue with a provision of essential services to the Borough's housing stock as per our statutory duties as a social housing landlord. That is the delivery of gas servicing repairs and upgrades to 3812 council housing domestic properties, 3 general needs communal schemes, 133 general fund temporary accommodation properties, 17 sheltered housing schemes and 10 community centres. As detailed above the contract is flexible enough to allow the replacement of gas heating with more carbon efficient technology or tender these elements if we so wish.
- 4.2 The contract for domestic boilers is based upon a "three-star" service whereby the contractor prices to undertake all repairs within one annual price irrespective of the number of call outs. This also includes the provision of the annual gas safety inspection and certification (CP12) and testing of smoke alarms. In addition, a price is provided for the renewal of heating systems, which if installed efficiently should minimise the contractor's ongoing liability to maintain and reduces the tendered price for the 3* contract. For our communal boiler installations prices are based on a bi-annual servicing requirement with repairs being priced on labour rates and material costs.
- 4.3 The Table below examines the financial impact of letting the 2 contracts procured.

	Annual Cost	Funded By		
	Estimated Annual Contract Costs	Existing Revenue Budgets/Reserves**	HRA Existing Housing Capital programme budgets***	Additional HRA Savings Plan/Drawdown from HRA General reserves
	£	£	£	£
Domestic 3* Gas servicing & Maintenance Contract	640,786	446,688	178,388	15,710
Additional Domestic Gas repairs	88,836	77,000	0	11,836
Communal Gas servicing contract	11,312	11,312	0	0
Additional Communal Gas Repairs	137,466	65,000	0	72,466
Community Centre/General Fund budgets	0	25,000	0	0
contract mobilisation				0
Total contract costs	878,400	625,000	178,388	75,012
Total funding over 6 years	0	3,750,000	1,070,328	450,072
*Part year effect of new contracts	10,367	625,000	178,388	10,367
*One Off costs				
mobilisation costs	35,000	35,000	0	0
*The part year impact of £10,367 will be contained within in existing HRA R&M provisions in 2021/22. The £35,000 one of cost for mobilisation of the contract will be met from the R&M Reserve which was set up in anticipation of such expenditure.				
**This includes an adjustment to existing budgets to include a virement of £23,688 from commercial gas servicing to Domestic gas servicing				
*** This includes an assumption that the HRA capital Programme budget will be utilised to provide sufficient capital funding for the gas contract to deliver replacement boilers. Currently a min allocation of £180,000 from unallocated budgets has been assumed (A maximum of £300,000 can be achieved budget permitting)				

4.4 As the contracts are expected to commence in February 2022, the table above shows there will be a part-year effect associated with the costs and funding of the new procurements during 2021/22. It has been assumed that the contract costs will be incurred on a pro-rata basis with the exception of the one-off mobilisation costs which will be wholly

incurred within 2021/22. An initial part-year saving of £10,367 will be required in this financial year.

- 4.5 The table above highlights a requirement of annual savings of £75,012 to fund the shortfall of budgets. However, as explained in paragraph 2.4 above this does not consider our move to carbon reduction technology. This has already begun and the pace of switching to alternative technologies will increase substantially over the years this contract covers. This year we will begin the conversion of 3 Sheltered sites from communal gas to Ground Source Heat Pumps which will complete in 2022/23. A further sheltered site has also been planned for the next financial year. Also, the stock condition highlights prioritised schemes where the capital programme will accommodate 2 per year from 2023/24. This means by year four alone we will have converted one third of our communal boiler stock to heat pumps. Similarly, we will also be implementing a move away from gas on our general needs properties. Just converting 400 properties over four years would reduce the any budget expenditure on domestic boilers. The estimated annual cost reductions of the move to carbon reduction technology are set out in the table below:

	Yr1 2022/2023	Yr2 2023/2024	Yr3 2024/2025	Yr4 2025/2026	Yr5 2026/2027	Yr6 2027/2028
	£	£	£	£	£	£
Budget Shortfall	75,012	75,012	75,012	75,012	75,012	75,012
Investment in Green Energy - Cost Reductions						
Domestic	-14,460	-28,920	-43,380	-57,840	-72,300	-86,760
Communal	-33,567	-50,352	-67,136	-83,920	-90,704	-107,488
Total reduction (green energy)	-48,027	-79,272	-110,516	-141,760	-163,004	-194,248
Shortfall to be contained within existing provisions	-26,985			Nil	Nil	Nil
Estimated Net position/ - surplus	0	-4,260	-35,504	-66,748	-87,992	-119,236

- 4.6 If projections show that small shortfall of £26k in 2022/23 cannot be contained within the existing budget provision, then expenditure will be prioritised, or activity reduced to ensure spend is kept within budget. The table shows that the budget shortfall can be funded throughout the term of the contract. The estimated surpluses generated will be factored into the 2022/23 HRA budget and 30 year Business plan.
- 4.7 The contract duration will be 4 years plus an optional 2 years. It is proposed to commence the contracts in February 2022.
- 4.8 New boiler system capital installation pricing received is £178,388.12. Prices submitted are within a range of agreed basket rates across a variety of property types for approximately 80 properties. This is line with capital funding provision of £180,000 for 2021/22 but as the contract is proposed to commence in February 2022 £15,000 is required for the

current financial year 2021/2022. The level of boiler replacement and resources required will need to be determined for 2022/23 and contained within the Planned Investment Capital budget for 2022/23 which is currently £5.825m.

- 4.9 The capital element of the estimated variable cost is £0.178m per annum will need to be accommodated within the capitalised repairs budget which is set aside for responsive capital repairs that fall outside of the scope of repairs contracts.
- 4.10 The price submission for the commercial gas servicing and repairs contract with Thermoserve is £551,234.00 p.a. and has returned a higher tender value of £48,778 compared to the available budget.
- 4.11 The contract duration will be 4 years plus an optional 2 years. It proposed to commence the contract in February 2022.

5.0 Staffing and Resources

- 5.1 There is an existing structure in place within the repairs and maintenance team with sufficient and trained personnel to contract manage both domestic and commercial gas contracts in line with contract requirements and council contract management procedures
- 5.4 No consultancy fees under the Fusion 21 framework agreement will be passed on to the Council. These will be fully met under the terms of the framework agreement by Liberty Group and Thermoserve.
- 5.2 Contract mobilisation and implementation costs will be met by Liberty Group and Thermoserve and no charges will be passed on to the Council.
- 5.3 It is our intention to recruit a project manager on an interim basis for 16 weeks to ensure there is a smooth transition of services from the incumbent contractor to both Liberty Group and Thermoserve. The Project Manager will work with Fusion 21 consultants to manage the mobilisation during this transitional period. This will ensure that contract commitments, adherence to contract specification with joint management arrangements are robust and planned for in advance.
- 5.4 Areas of activity will include organisation's structure and resourcing, IT systems, financial control, performance management, quality management systems, resident communications, customer care and satisfaction, social values and climate change initiatives.
- 5.5 A one off maximum budget provision of £35,000 will be required in 2021/22 and it is proposed to fund this from the HRA repairs reserve which has a current balance of £278,000 as at end of 2020/21.

6.0 Environmental Implications

- 6.1 At mobilisation stage we will detail any potential for 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. Liberty Group and Thermoserve will contribute to the Council's objectives around social, economic and environmental sustainability. Both contractors have provided their costs for servicing and maintenance of air-source and ground-source heat pumps. Where practical the scheme will use products that will help reduce the Council's carbon footprint. There is a requirement for Liberty Group and Thermoserve to engage with local businesses to ensure that materials purchased are manufactured ethically.

- 6.2 Environmental considerations have extra significance as the Council has declared a Climate Emergency. As such the Council have started moving towards ensuring carbon neutrality. With the Council declaring a Climate change emergency we will work together with all partners to ensure that measures we are putting in place are compliant with this policy, either by achieving carbon neutrality or energy efficiency in provision of materials transportation and recycling. There are provisions in the contract to bid for air-source, ground source and solar energy and for on-going maintenance.
- 6.3 Liberty Group and Thermoserve will be signed up to the Considerate Contractor Scheme and once we are at the appropriate stage and are committed to the environment and sustainability.
- 6.4 The Council intends to do all it can to ensure that its contractors continue to support Harrow's economy by encouraging spend locally wherever practical and maximise opportunities for local people in employment and training.
- 6.5 Specific requirements on social value will be discussed, agreed and delivered between Resident Services and Asset Management from the financial commitment to community projects for properties within HRA and these commitments are detailed. This will enable delivery of meaningful social value contributions targeted within properties and communities within the HRA . This will include the following:
 - Sustaining the local economy in Harrow by engaging local suppliers and supply chains. Contractors together have committed to spend over £1m on local spend within Harrow
 - Supporting employment for housing residents in Harrow i.e. apprenticeships, employing residents living in council housing stock.
 - Contributing labour and resources to agreed community initiatives for council residents in their communities and properties where they live. Liberty have committed to provide 840 hours of community service and Thermaserve 288 hours. We will be targeting this service at projects for our council housing residents estate de-clutter events Community Action Days and sheltered resident garden schemes.
- 6.6 At mobilisation and throughout the contract term we will work with the Liberty Group and Thermoserve to focus on residents living in Council HRA properties :

- Monitor targets for employing apprentices and offering work placements and training opportunities to local young people.
- Review environmental performance in such areas of reduction of waste, reducing energy costs and reuse of products and materials.
- We will also explore further options for implementing the introduction of new technology to reduce our stock's carbon footprint.

7.0 Performance Issues

- 7.1 The procurement strategy adopted aimed to produce a result that would deliver both a cost-effective repairs service and support the local economy. The procurement fits within the continuing transformation programme. This project started with a thorough analysis of the procurement options and the inclusion of works, within this and other repair contracts that have been managed in a more disparate way is part of enhancing the procurement process.
- 7.2 Within the tender document was a suite of performance indicators designed to allow focus on the key areas of service and for the Council to agree with contractors a continuous improvement approach. There was a focus on the most pressing performance areas and routine monitoring of other areas that are seen to be delivering to an acceptable standard.
- 7.3 The new contracts will aim to deliver better performance against agreed key performance indicators and will be reviewed jointly with Fusion21 framework consultants. Both contractors will be adopting up-to-date IT systems which will support efficient delivery of services and performance reporting which we will be able to access and interrogate.
- 7.4 There will be monthly performance operational and strategic contracts review meeting to ensure contract and statutory gas compliance, commitments to social values and VFM. This will include ensuring statutory gas servicing compliance, gas repairs carried out within agreed priority time, reviewing and monitoring costs to ensure VFM and customer satisfaction targets are achieved.
- 7.5 Contractor appraisals will be supported in full by Fusion21 who will participate at monthly meetings to review KPI performance, contract compliance and financial analysis to ensure VFM.

8.0 Service Delivery Enhancements

8.1 Liberty Group

- 8.2 Liberty Group have confirmed they will ensure an excellent local presence and understanding of the contract with strong communications with housing residents. It also means that the contract will have access to unrivalled support functions which will provide access to additional expertise and capacity.

- 8.3 Liberty Group's IT systems that support efficient delivery of services, compliance and reporting methods in line with contract and service requirements:
- Service compliance and access: delivery of service is monitored ensuring focus on at risk properties to constantly drive compliance. A national servicing team will continue to monitor performance and complete weekly benchmarking reports to ensure management action is taken for those properties at risk and dropping to below 100%.
 - Harrow Council will have access to contract performance data through Civica CX systems integration and access to our online client reporting portal. This includes an embedded Power Bi reporting module for powerful, trended, visualised, meaningful reporting aligned to the contract KPIs in particular gas servicing compliance, first time fix, customer satisfaction.
 - State-of-the-art contact handling system called 'Touchpoint'. Touchpoint uses a universal multimedia queuing system which logs and handles all customer contacts including calls, emails, live web chat (dedicated multilingual channel) and social media interactions including webchat. To monitor our performance, the Touchpoint system provides real time contact handling statistics such as average speed of answer, call volumes and abandonment rate, appointment management via SMS and verbal reminders.
 - Resident satisfaction is collected independently and uses the Net Promoter Score method of monitoring/reporting Customer Satisfaction via SMS as well as collecting data via Trustpilot.
 - Enhanced service delivery by maintaining a YouTube channel of useful video content which will be shared on social media. Regularly reporting of performance in resident newsletters and via HFTRA and support community events to promote the importance of gas safety and develop strong community links.
- 8.4 Liberty will bring an up-to-date quality management system (QMS) incorporating a highly efficient process driven workflow process from receipt of an order, completion of an order through to quality checking to ensure value for money (VFM) and resident satisfaction.
- 8.5 Liberty Group adopt an effective Health and Safety regime to ensure compliance in all areas of the service where there is potential risk and ensure compliance to Health and Safety regulations a:
- Focus on training individuals to understand safety and encouraging them to make the right decisions to protect themselves and others around them. Lead on safety standards for Harrow Council Harrow, residents and employees through strong and fair leadership.

- They have in place an excellent health and safety system is recognised through certification to ISO:45001 and contractors health and safety assessment scheme (CHAS). Their health and safety system has been verified with the Royal Society for Prevention of Accidents gold award.
- Plan a high level of health and safety on site through risk assessments, method statements, covid19- RAMs, service and safety enhancements for provision of services for vulnerable and special need groups

8.2 Thermoserve

8.3 Key service enhancements the new communal heating contractor will bring include:

- Thermoserve will deploy an advanced business management IT system that supports efficient delivery of services, compliance, and reporting methods in line with contract and resident requirements.
- Orders placement via engineer's personal digital assistant (PDA) and resident communications via emails, automated emails and SMS.
- Key Performance Indicators (KPIs) dashboard and in the form of charts, data tables and ability to report on productivity by engineer.
- Gold Members with Construction Line and are accredited with safety schemes in procurement (SSiP) approved contractor health and safety assessment scheme (CHAS) and have full health and safety credentials and certifications.
- "Stop and Assess" health and safety audit process in place, which is loaded onto Liberty's IT system (Protean), which issues for every job the "Stop and Assess" audit for the attending operative to complete, through risk assessments, method statements, Covid-19 risk and method statements (RAMs).
- Priority services to vulnerable residents and those with special needs with strong emphasis on strong communications.
- Strict audit checklists in place for engineers and sub-contractors to ensure workflow processes are adhered to, compliant and to ensure the quality of work carried out meets with the standards required.
- Have in place a practical internal audit system to check every single order from being raised to final completion.
- Quality health and safety and environmental systems ensures a variety of audits are carried out. These are tracked using a quality management process and are based on a 360-degree lessons learnt basis.

9.0 Equalities implications

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

9.2 An initial Equality Impact Assessment was prepared specifically for the procurement exercise and 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 has been addressed to ensure residents receive the same service and taking into account specific needs.

10.0 Corporate Priorities

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

10.2 Improving the environment and addressing climate change

10.3 The contracts allow flexibility to pursue our climate change ambitions. So, for example when we begin to deliver new carbon reducing technology into homes such as heat pumps, the contract and pricing will be adjusted accordingly. While there is an opportunity for the incumbent contractor to price for essential servicing and maintenance we are able to procure this work separately.

We have detailed above how this contract will need to be managed in line with movement towards meeting the Councils carbon reduction ambitions.

10.4 Addressing health and social care inequality

10.5 The procurement has been designed to deliver existing policies and strategies maintaining the current level of equality in service provision.

10.6 The contract specification has been clear on the equalities related duties on contractors, given the wide range of needs of our customers.

10.7 There will also be a continuation of a same day service provision for vulnerable and elderly tenants and service schedules will prioritise replacements for these residents.

10.8 Thriving economy

10.9 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.

10.10 The winning tenderers will be strongly encouraged to support local suppliers (where possible) to ensure a high percentage of their supplier spend is in Harrow.

11.0 Ward Councillors' comments

11.1 This procurement is Borough wide and affects all wards. We will have an active consultation programme with all councillors generally.

However, where there are issues or programmes of work that affect specific wards we will ensure that meaningful consultation takes place with specific ward councillors.

11.0 Risk Management Implications

Risks included on corporate or directorate risk register? **Yes**

Separate risk register in place? **Yes**

The relevant risks contained in the register are attached/summarised below. **Yes**

The following key risks should be taken into account when agreeing the recommendations in this report:

Risk Description	Mitigations	RAG Status
Lack of service continuity to meet statutory requirement in 2025	<ul style="list-style-type: none"> An extension of up to 2 years is in place, this will allow sufficient time and resources to undertake a re-procurement, whilst continuing to provide essential reactive and maintenance services to all our tenants across the Borough. 	Green
Brexit, post-covid impact, supplies, and resources impact on the construction industry on labour and supplies. This is leading to building cost inflation and shortages.	<ul style="list-style-type: none"> Review market trends and liaise with similar organisation on service impact and national trends Interim contract price adjustments Enhanced stock holding Contingency planning to reduce level of services on some trades 	Amber
Lack of conformity to Gas Safe Regulations	<ul style="list-style-type: none"> Engagement of Corgi Gas Independent Consultants to carry out external audits on requirements under Gas Safe regulations and adherence to policies and procedures 	Amber
Financial risk due to increased contract values	<ul style="list-style-type: none"> Impact on the HRA. Is offset by the lower 	Amber

Risk Description	Mitigations	RAG Status
	<p>contract value than anticipated from the communal tender pricing submission. However variable element has increased-need to find savings or reduced elements of work to stay within budget.</p> <ul style="list-style-type: none"> • Robust intervention by Fusion21 to support service continuity. 	
<p>Ineffective Contract Management</p>	<ul style="list-style-type: none"> • Monthly contractor appraisals scheduled for servicing, repairs and capital programmes, management of emergencies, contract compliance • Monthly participation by Fusion21 on service performance, costings, and contract compliance • Review of KPI performance data monthly • Review of financial data to ensure value for money (VFM) monthly in line with contract prices • Review of customer satisfaction survey results monthly • Statutory Gas Safe Regulations by monitoring CP12 certificates • 3 yearly review of gas services by independent Corgi (Council for 	<p>Amber</p>

Risk Description	Mitigations	RAG Status
	Registered Gas Installers) gas consultants.	
New contractors bid at prices that are not sustainable throughout life of the contract	<ul style="list-style-type: none"> • Monthly review of invoices, contract prices against agree schedule of works, quality assessments • Back-up Fusion 21 appointed contractors 	Amber
Service interruption during transition period to implement new gas contracts	<ul style="list-style-type: none"> • Advance planning to implement a mobilisation plan to ensure service continuity and contracts implementation • Support from Fusion21 consultants • Engagement of an interim project manager to manager both strategically and operationally • Promote positive communications with residents, officers and ward councillors. 	Amber
IT Solutions to ensure data is managed real-time between contractors and Council systems are inadequate	<ul style="list-style-type: none"> • Cloud based applications support smooth transition of data between a variety of software systems • Migration to Civca CX by March 2022 • Contract regulatory compliance via C365 compliance database • IT detailed in advance at mobilisation planning stage and forms a key essential project item • Test data run and issues resolved • Investment in new IT 	Amber
Client-side structure does not have sufficient skills to	<ul style="list-style-type: none"> • Yearly service reviews to ensure service fully 	Green

Risk Description	Mitigations	RAG Status
manage the contract(s) put in place	resourced and staff fully trained	
Non-compliance with CPR and/or Public Contract Regulations 2015	<ul style="list-style-type: none"> • The procurement of the domestic and communal heating service has been conducted consistent with the Public Contract Regulations 2015 • Cabinet approved the budget and the commencement of a procurement process in July 2020 for domestic heating budget and procurement exercise • Retrospective approval sought via this report for budget and procurement process for communal heating contract 	Green
Shortfall in budget to cover the cost of the proposed contracts	<ul style="list-style-type: none"> • Shortfall of £75,012 to be off set against savings from moving to ground heat pumps and other technology (table in 4.5) • Remaining £26k shortfall will be contained within the budget provision by either prioritising expenditure or reducing activity and for future years • A formal monitoring process will be adopted to ensure budgets maintained 	Green

12. Procurement Implications

12.1 The procurement of the domestic and communal heating service has been conducted consistent with the Public Contract Regulations 2015 (as amended) and under the support and guidance of the procurement team. To that end the recommendations to award contracts as the start of this report are supported by the Head of Procurement.

12.2 Both services were procured through the Fusion 21 framework where separate mini competitions were undertaken for each of the services.

The outcome of the respective procurements is detailed in Appendix 1 and 2

- 12.3 Cabinet approved the budget and the commencement of a procurement process in July 2020. However, this approval was just for the domestic heating budget and procurement exercise.
- 12.4 We wish Cabinet to note that due to an oversight by the directorate the approval required under the Contract Procedure Rules for the budget and the approval required to commence the procurement for the communal heating part of this report was not sought, as it should have been, prior to going to procurement. We therefore request Cabinet to note and give retrospective approval for these oversights.
- 12.5 Lessons will be learnt by the directorate from this oversight to ensure similar breaches to the Contract Procedure Rules to do not happen in the future.
- 12.6 However, procurement would like to reiterate that no breaches in procurement law have taken place and this tender has complied with and is consistent with the principles of transparency, equality of treatment, fairness and non-discrimination.

13. Legal Implications

- 13.1 The procurement of the Housing Domestic Gas and Communal contracts have been undertaken in accordance with the Public Contract Regulations 2015 (PCR). The contracts have been called off from the Fusion 21 Framework compliantly by way of a mini competition for both contracts.

14. Financial Implications

- 14.1 The total annual value of the contracts to be awarded amount to an estimated £878,400 p.a. – Liberty £729,622 - domestic heating (servicing and Repairs and Maintenance + £148,778 – Thermoserve - (commercial gas systems). This compares to a budget provision of £780,000 in 2021/22 - split between revenue and capital as shown below:-

		Tender Award		
	Budget 2021/22	Liberty	Thermoserve	Total
	£	£	£	£
Servicing - Domestic	423,000	462,398	-	462,398
Commercial	35,000	-	11,312	11,312
R&M - Domestic	77,000	88,836		88,836
Commercial	65,000		137,466	137,466

	25,000			
Revenue -Sub-Total	625,000	551,234	148,778	700,012
Capital	180,000	178,388	0	178,388
Total	805,000	729,622	148,778	878,400

14.2 The tender price for revenue exceeds the full year budget provision within the HRA by £75,012 (£700,012 - £625,000). The level of repairs will vary but is expected to reduce as aging boilers are planned to be replaced and alternatives such as ground source heat pumps will be considered. The table in para 4.5 sets out the estimated savings from moving to ground heat pumps and other technology. The table shows that there is a £26k funding shortfall in 2022/23 which will be contained within the budget provision by either prioritising expenditure or reducing activity and for future years of the contract the shortfall is fully funded with no recourse to HRA reserves.

14.3 There are estimated mobilisation costs of £35k which will be funded from the Repairs and Maintenance reserve that was set up for these costs. There is also a part year cost pressure of £10,367 in 2021/22 which can be contained within the repairs and maintenance budget.

14.4 The level of boiler replacement and resources required will need to be determined for 2022/23 and contained within the Planned Investment Capital budget for 2022/23 which is currently £5.825m.

14.5 Contractual inflation of CPI (Consumer Prices Index) is included within the contract which will mean future inflationary increases in the budget will be required for each of the six years of these contracts. Once this contract is in place. Finance officers will work closely with the service to ensure costs are closely monitored and reported. It will be necessary to seek additional approval should any costs exceed the approved budget.

14.6 Financial status of the contractors: As part of the tender process credit checks were carried out and the latest audited accounts reviewed. Finance officers reviewed key accounting ratios and found these to be satisfactory.

15. Equalities implications / Public Sector Equality Duty

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

15.2 An initial Equality Impact Assessment was prepared specifically for the procurement exercise and 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 has been addressed to ensure residents receive the same service regardless of but considering specific needs.

Section 3 - Statutory Officer Clearance

Statutory Officer: Tasleem Kazmi

Signed on behalf of the Chief Financial Officer

Date: 05.11.2021

Statutory Officer: Sarah Inverary

Signed on behalf of the Monitoring Officer

Date: 8.11.21

Statutory Officer: Nimesh Mehta

Signed by the Head of Procurement

Date: 5.11.21

Statutory Officer: Susan Dixon

Signed by the Head of Internal Audit

Date: 8.11.21

Statutory Officer: Dipti Patel

Signed by the Corporate Director

Date: 9.11.21

Mandatory Checks

Ward Councillors notified: NO

EqlA carried out: YES - An overarching Equalities Impact Assessment (EqIA) was undertaken for the programme by the Directorate Equality Task Group.

EqlA cleared by: (DETG) Chair

Section 4 - Contact Details and Background Papers

Contact: Andrew Champion, Head of Asset Management, tel. 07927 548 343, andrew.champion@harrow.gov.uk

Background Papers: None

**Call-in waived by the Chair of Overview and Scrutiny
Committee**

NO