

EXECUTIVE

12th October 2023

Report Title	Procurement of a Heating Contractor for Housing Stock
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Lead Member	Councillor Mark Rowley, Executive Member for Housing, Communities and Levelling Up

Key Decision	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there public sector equality duty implications?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information (whether in appendices or not)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972	

List of Appendices

None

1. Purpose of Report

- 1.1. To seek approval from the Executive for the procurement of a Contractor for the delivery of the Servicing, Repairs and Maintenance of Council Housing Heating Systems for Housing Property Services.
- 1.2. To seek delegation of authority from the Executive to the Executive Member for Housing, Communities and Levelling Up, in consultation with the Executive Director for Adults, Health Partnerships and Housing, to take any further decisions and/or actions required to appoint an appropriate contractor, and to enter into respective contracts.

2. Executive Summary

- 2.1. North Northamptonshire Council owns and manages 8,084 council homes, across the Corby and Kettering areas. The Council is responsible for the repairs, maintenance, and refurbishment of these properties via its in-house Direct Labour Organisations and procured contractors in order to fulfil its landlord repairs and maintenance obligations.
- 2.2. Although some works are maintained by in-house resources, external contractors are also used to maintain the Council's housing stock. This is currently the case with heating systems servicing, repairs and maintenance, whereby in the Kettering area this is undertaken in house and in the Corby area this is contracted out.
- 2.3. With the current heating contract covering the Corby area expiring next year, a full review of the options available to the Council to deliver a fully joined up heating service across the Council's housing stock has been undertaken. This has established that the most suitable option for how to proceed with this service at the current time is to procure a contractor for servicing, repairs and maintenance (to include an out of hours provision) for the Council's entire housing stock. The installation of new boilers and void heating works will continue to be delivered in house.
- 2.4. Following receipt of procurement advice, it has been established that call-off for a specific contract under a Framework Agreement, via direct award or mini competition as may be available and/or appropriate, would provide compliant, robust and resilient service delivery. A number of Framework Agreements have been identified as capable of providing this procurement option.

3. Recommendations

- 3.1. It is recommended that the Executive delegates authority to the Executive Member for Housing, Communities and Levelling Up in consultation with the Executive Director for Adults, Health Partnerships and Housing, to procure, negotiate, award, and enter into a contract for the servicing, repairs and maintenance of the Council's Housing Heating Systems, to ensure that the Council's housing stock is maintained and that the legal obligation to annually service gas and oil appliances is met.
- 3.2. Reasons for Recommendation: By approving this recommendation, Council officers will be able to:
 - Closely align services with Government legislation, regulation and initiatives, through the use of a procured contractor across the two Housing Property Services team areas.
 - Ensure a fully compliant procurement process is conducted in the most efficient and timely manner and a new contract is in place for the delivery of the services.

- Provide better value for money to the Council.
- Ensure tenants benefit from the delivery of this statutory service in the housing stock across North Northamptonshire.

3.3 Alternative Options Considered:

- Continue with existing separate systems for both Corby and Kettering teams. This option is not recommended as it would not result in a joined-up team working across North Northamptonshire.
- Set up an in-house Gas team covering all NNC Council Homes. This option is not recommended due to the current difficulties in recruiting to vacant posts within the in-house Kettering team. Operating an in-house service with an even higher number of agency staff than at present would come with significant risks to delivery.
- Procure a contractor to provide a service to all NNC Council Homes for all of the different parts of the Gas service. This option is not recommended as there were a number of benefits identified to retaining the installation of new boilers and void gas works in-house. Mainly, that there was no identified financial benefit from new boiler installations being contracted out as opposed to being completed in-house and the loss of direct control of void works, that could lead to an impact on voids performance.

4. Report Background

- 4.1. The Council has a legal obligation to annually service gas and oil boilers found within its housing stock. In addition, the Council has to repair and maintain the boilers to ensure tenants have heating and hot water available to them when they require it. This includes providing an out of hours service for evenings, weekends and public holidays.
- 4.2. Prior to unitary, Kettering and Corby delivered the annual servicing, repairs and maintenance via their respective in-house Direct Labour Organisation and a procured contractor. This approach has continued since vesting day.
- 4.3. Following an assessment of the options available for the continued delivery of this service across the Council's housing stock, there is an intention to align service delivery across both areas to ensure a consistent approach.
- 4.4. The installation of new boilers via the capital programme and the undertaking of void property gas checks, is not included as part of this procurement. The options appraisal identified this function as one that would remain as being undertaken in house.

- 4.5. At present, the Council is reliant on a large number of agency workers to deliver the in-house service in Kettering, due to problems with attracting permanent staff. This is not a viable long-term situation, with a more robust and resilient approach to service delivery required.

5. Issues and Choices

- 5.1 Following the creation of North Northamptonshire Council, there is a need to harmonise the delivery of the servicing, repairs and maintenance of heating systems across Corby and Kettering areas to ensure the same level of service is received by the Council's housing tenants.

- 5.2 Four options considered were:

1. Do nothing - Continue with existing separate systems for both Corby and Kettering teams. This option is **not recommended** as it would not result in a joined-up team working across North Northamptonshire.
2. To procure, negotiate, award, and enter into a contract for the servicing, repairs and maintenance of the Council's Housing Heating Systems (**recommended**).
3. Set up an in-house Gas team covering all NNC Council Homes. This option is **not recommended** due to the current difficulties in recruiting to vacant posts within the in-house Kettering team. Operating an in-house service with an even higher number of agency staff than at present would come with significant risks to delivery.
4. Procure a contractor to provide a service to all NNC Council Homes for all of the different parts of the Gas service. This option is **not recommended** as there were a number of benefits identified to retaining the installation of new boilers and void gas works in-house. Mainly, that there was no identified financial benefit from new boiler installations being contracted out as opposed to being completed in-house and the loss of direct control of void works, that could lead to an impact on voids performance.

- 5.3 The following procurement routes have been considered for the procurement of a contractor to address these requirements:

- a) **Open tender** - Open tendering is a transparent procurement process which is open to the whole market and allows equal opportunity for competing suppliers. It enables the Council to identify the contractor offering a mixture of the highest quality at the most competitive price, resulting in a more economically, advantageous tender. It is a fully compliant route to market and often provides the most competitive results. The disadvantages of this process (as they relate to this project) are the timescales to run a procurement in this way, which would likely take upwards of six (6) months to award a contract.

- b) **Framework (using mini competition and/or compliant direct award options)** - A framework process typically reduces the procurement timeframe, as the pre-evaluation of multiple contractors has already been undertaken, allowing the Council to approach a smaller pool of contractors and in some cases, award a contract directly to a contractor (based on the terms of the framework). Frameworks can therefore provide a shorter timeframe for awarding a compliant contract. The disadvantages to using a framework are that they can provide restrictions to new contractors, who may offer a reduction in prices or service. Estimates for implementation suggested by the framework providers is within 3 months. Procurement would advise the likely period of time required to award a contract would be six (6) months.
- c) **Award without Competition (Negotiated Procedure without Prior Publication)** - Making an award to a contractor without any form of competition contravenes the Public Contracts Regulations 2015 (The legislation which implements the Public Sector Procurement Directive and governs public sector procurement above the UK Regulations Threshold) and the principals of good and ethical procurement (namely non-discrimination, equal treatment, transparency, and proportionality), unless one of the general grounds for use of this procedure is satisfied. Therefore, this hasn't been explored as an option.

5.4 Due to the short timeframe within which to procure a new contract and the number of Framework Agreements, whose legal notices are in order and processes meet the requirements of the Public Contracts Regulations 2015, a suitable Framework Agreement is deemed the fastest, most robust and compliant option available for the Council to procure a new contract. The contract is intended to be procured for four (4) years.

6. Next Steps

- 6.1. If the Executive approves the recommendations of this report, the next stage will be to implement the Council's Procurement Process for the contract. The key activities for this are outlined below along with an anticipated timeline for delivery:

Key Procurement Activity	Timeframe
Create Tender Documents	November 2023
Advertise the Procurement Opportunity	December 2023
Evaluate the tenders received	January 2024
Post tender evaluation works	February 2024
Contracts drafted and signed	March 2024
Prestart meetings with the contractors	April 2024

7. Implications (including financial implications)

7.1. Resources, Financial and Transformation

7.1.1. The Council has a ring-fenced capital Housing Revenue Account within which budgets are identified for the delivery of its services, and the Medium-term Financial Plan was approved by Full Council on 23/02/2023.

7.1.2. The table below shows the proposed funding within the two Neighbourhood Housing Revenue Accounts for 2023/24 for Heating Servicing, Repairs and Maintenance:

Corby Neighbourhood Account		
Cost Centre	Title	2023/24 Budget
20HD1178	Central Heating Maintenance	£493,500
N/A	Deletion of three obsolete posts	£115,296
	Total	£608,796
Kettering Neighbourhood Account		
Cost Centre	Title	2023/24 Budget
20HD4058	Kettering Gas Repairs	£502,080
	Minus salary costs to be retained	-£120,600
20HD4059	Kettering Gas Services	£64,740
	Total	£446,220
	Combined Housing Revenue Account Total	£1,055,016

7.1.3. The estimated spend for this contract is shown below. This is based on the current spend per property rates of the existing contract covering the Corby area. Until this service is procured the exact four year spend will not be known.

Project	Length of Contract	Estimated Contract Sum
Heating Servicing, Repairs and Maintenance	2+1+1 years	£3,894,332

7.1.4. The anticipated spend outlined above assumes that the budgets for the years following the current three (3) year approved Medium Term Financial plan remain proportionate. The ratios of spend to budget are consistent with anticipated budgets for years 2026/27 and 2027/28 being the same as in the current three (3) year Medium Term Financial plan.

7.1.5. The four (4) year contract is outside the current Medium-Term Financial Plan by two (2) years but has a two (2) year break clause to protect the Council should there be any budgetary restrictions in the future. A shorter contract length is not deemed viable, due to the anticipated set up costs to a contractor of mobilising to deliver this contract.

7.1.6. Following on from approval by the Executive, Officers will seek to procure and then award a contract.

7.2. Legal and Governance

7.2.1. The Localism Act 2011 gives local authorities a 'general power of competence' that allows them to do anything that an individual can do provided that the proposed action is not specifically prohibited by other legislation and the power is exercised in accordance with the limitations specified in the Act which enables the Council to procure and enter into the proposed new contract.

7.2.2. The Council has an obligation as a best value authority under section 3 of the Local Government Act 1999 to 'make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard for a combination of economy, efficiency and effectiveness'.

7.2.3. The procurement process proposed in this report, namely call-off from an appropriate and compliant Framework Agreement via direct award or mini-competition as may be applicable, must be conducted in accordance with the requirements of the relevant Framework Agreement, the Public Contracts Regulations 2015 (Regulation 33) and the Council's Contract Procedure Rules.

7.2.4. Legal services, where instructed, will advise and assist officers with regard to the conduct of the procurement process and the resulting contractual arrangements.

7.3. Relevant Policies and Plans

7.3.1. When reviewing the current service specifications, account will be taken of two key thematic priorities laid out in the Council's Corporate Plan.

Thriving places – Housing and Communities

- Improve the standard of new homes and ensure housing supply meets demand.

Greener, sustainable environment – Housing and Communities

- Work with businesses and communities to tackle climate change.
- Set an example to other organisations on tackling sustainability.

7.4. Risk

7.4.1. There is a risk of delay to the procurement conclusion if any further decisions need to be referred to the Executive and not delegated as proposed.

7.4.2. There is currently a contract in place for the Corby area which expires on 2nd March 2024. A short extension to this contract is likely to be required, to ensure continuation of the service until such time as the new contract is in place.

7.4.3. If the Council does not enter into a new contract, then there is a risk to being able to deliver statutory compliance, maintenance and repairs obligations to tenants, which could result in negligence, disrepair and subsequent claims.

7.5. Consultation

7.5.1. There has been no consultation outside of the Council.

7.6. Consideration by Executive Advisory Panel

7.6.1. This paper has not been considered by an Executive Advisory Panel.

7.7. Consideration by Scrutiny

7.7.1. The procurement process and/or any part of the requirement may be selected for call-in and for consideration by Scrutiny.

7.8. Equality Implications

7.8.1. Equality Screening Assessments were carried out for this contract and no negative impact was identified. The overall impact was positive for all tenants, particularly the elderly, long-term sick, disabled and children.

7.9. Climate and Environment Impact

7.9.1. The Council aims to procure a contractor who is local, or who has local resources within North Northamptonshire, thus reducing travel distances to the Council's properties within Corby and Kettering, with the aim of reducing the Council's carbon footprint.

7.10. Community Impact

7.10.1. This contract will contribute to the integrity and serviceability of the Council's housing stock. In addition, it will improve the quality of living for tenants and potentially incentivise them to maintain their properties to a good standard, which will have a positive impact on the community.

7.11. Crime and Disorder Impact

7.11.1. This contract will contribute to the integrity and serviceability of the Council's housing stock. It is therefore expected that this will improve the quality of living for tenants, and potentially incentivise them to support the prevention of crime and disorder in their respective communities.

8. Background Papers

8.1. None