

Notice of KEY Executive Decision

Subject Heading:	1 year extension of the gas servicing contract.
Cabinet Member:	Councillor Joshua Chapman
SLT Lead:	Patrick Odling-Smee Director of Housing
Report Author and contact details:	Gary Mitchell Gary.mitchell@havering.gov.uk
Policy context:	HRA Policy and Budgets
Financial summary:	The cost (£1.070m) of a 1 year extension of the gas servicing contract with K&T Heating Services Limited will be funded by the HRA revenue budget
Reason decision is key	The decision is key as the cost of the extension will be over £500,000 for the year
Date notice given of intended decision:	19/02/2021
Relevant OSC:	Towns and Communities
Is it an urgent decision?	No
Is this decision exempt from being called-in?	No

The subject matter of this report deals with the following Council Objectives

Communities making Havering
Places making Havering
Opportunities making Havering

Key Executive Decision

Connections making Havering

[]

Key Executive Decision

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

To extend the Gas Servicing contract with K & T Heating Services Limited for a one year period until 31st March 2022 in accordance with the provisions contained within the contract at a cost of £1,070,000.

AUTHORITY UNDER WHICH DECISION IS MADE

The Council's Constitution provides at part 3. Responsibilities and Functions, sub section 3.3:

“Members of the Senior Leadership Team (SLT) have delegated authority to act as follows within the assigned service service/portfolio of responsibilities:

(b) To award all contracts with a total contract value of between £500,000 and £5,000,000 other than contracts covered by Contract procedure Rule 16.3.

STATEMENT OF THE REASONS FOR THE DECISION

The Council has a legal obligation to keep residents safe, one of the ways it does this is annual gas checks. This service is currently delivered by K & T Heating who were procured in accordance with the Public Contracts Regulations 2015 via an advertisement on OJEU. The contract commenced in 2018 and the contract specified and initial 3 year term followed by the ability to extend the contract for a further two, one year terms.

The initial 3 year contract expires March 2021 and we are looking to enact the term within the existing contract to extend for one year to enable the planned and sequenced transfer of a number of other maintenance contracts.

K&T are providing a good service at present with the gas servicing KPI at 99.99% even through these tough times and their responsive repairs KPI is over 95%.

A quick benchmarking exercise indicates the current contract provides the Council with good cost certainty, value for money and a good level of customer service.

It is intended to extend the contract by one year in accordance with article 12 of the contract during which time the procurement of a new contract will be completed.

OTHER OPTIONS CONSIDERED AND REJECTED

Allow current contract to terminate and enter in to an interim arrangement to continue service whilst procuring a term contractor.

This was rejected for the following reasons

- It would cost considerably more than the proposed extension as the current contract offers good value for money.

Key Executive Decision

- Given that it would be a short term arrangement it is considered more appropriate to extend and negotiate cashable savings/service improvements on the current contract
- There are TUPE implications for any contractor taking on a short term arrangement which would limit the market and drive cost upwards.

PRE-DECISION CONSULTATION

Consultation across the internal stakeholders and tenants and leaseholders was carried out prior to the original contract being awarded, this included the option to extend

There are additional elements to share and promote for the Havering residents such as the pre-payment voucher scheme that they are now running through the Sureserve Foundation and they may be able to bid for some Energy Redress Funding via EST which can be used for Energy Efficiency Projects such as fuel switching, renewables installations and insulation schemes.

NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: Gary Mitchell

Designation: Head of Compliance and Special Projects

Signature: *Gary Mitchell*

Date: 03/02/2021

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

This report proposes an extension of the current contract with K & T Heating Services Limited.

Housing Services seek to extend this contract in accordance with the Council's responsibilities as a landlord

The Housing Revenue Account (HRA) specifically accounts for spending and income relating to the management and maintenance of council-owned housing stock. The services procured under this contract cover all properties owned or managed through the HRA as set out in the section 74 of the Local Government and Housing Act 1989.

Officers have confirmed that K & T Heating Services Limited (the provider) has performed the service to a satisfactory level under the current contract.

The option to extend the term was contemplated at the time the contract was awarded. The contract included a provision to extend the initial 3 year term for 12 months ("First Extension") and a further option to extend the contract for another 12 months until 2023. This report seeks authorisation to exercise the first extension. The proposed extension of 1 year is therefore in compliance with the limitations imposed by the Public Contracts Regulations 2015 and Regulation 72(1) (a) in particular.

The Council's Contract Procedure Rules state that for an award following an OJEU-compliant procurement, an extension may be approved if the value of the extension period does not exceed 50% of the awarded contract value. The value of the extension is £1,070,000 and was included in the awarded contract value.

In accordance with Contract Procedure Rule 19.8, the reasons and authority to extend the contract must be recorded in writing and loaded onto the Council's preferred e-tendering suite.

FINANCIAL IMPLICATIONS AND RISKS

The one year extension to this contract will cost £1,070,000 and will be funded from cost centre A29305, within the Housing Revenue Account.

K&T have offered a discount on their installations, based on the annual spend. This is 1% for the first £500k, 1.5% between £500k and £1m and 2% for spend over £1m.

There are additional elements to share and promote for the Havering residents such as the pre-payment voucher scheme that they are now running through the Sureserve Foundation and they may be able to bid for some Energy Redress Funding via EST which can be used for Energy Efficiency Projects such as fuel switching, renewables installations and insulation schemes.

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

Key Executive Decision

The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

The recommendations made in this report do not give rise to any identifiable risks or implications

HEALTH AND WELLBEING IMPLICATIONS AND RISKS

The recommendations made in this report do not give rise to any identifiable risks or implications

BACKGROUND PAPERS

N/A

Key Executive Decision

Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Details of decision maker

Signed:

Name: Patrick Odling-Smee

Cabinet Portfolio held:

CMT Member title:

Head of Service title

Other manager title:

Date:

Lodging this notice

The signed decision notice must be delivered to the proper officer, Debra Marlow, Principal Committee Officer in Democratic Services, in the Town Hall.

For use by Committee Administration

This notice was lodged with me on _____

Signed _____