

ANGUS COUNCIL

NEIGHBOURHOOD SERVICES COMMITTEE

15 January 2009

REPORT BY THE DIRECTOR OF CORPORATE SERVICES

No 36/09

**ANNUAL SERVICING AND MAINTENANCE OF GAS HEATING INSTALLATIONS,
CONTRACTS 1 & 2
EXTENSIONS TO EXISTING CONTRACTS (1 APRIL 2010 TO 31 MARCH 2012)**

Abstract

Report on proposal to extend existing contracts and to approve the estimated total cost.

RECOMMENDATION

The Committee is recommended to:

1. approve extending the current contract for Annual Servicing and Routine Maintenance of Gas Heating Installations, Extension to Contract 1 with W R B Gas (Contracts) Ltd, Dundee by formal instruction;
2. approve extending the current contract for Annual Servicing and Routine Maintenance of Gas Heating Installations, Extension to Contract 2 with Saltire Facilities Management Ltd, Airdrie by formal instruction;
3. approve the estimated total cost (at out-turn prices) of £1,807,000;
4. note that allowance will be made for extending these contracts in the overall HRA Planned Maintenance Programme Budget;
5. note that Report No 262/05 submitted to the Housing Committee on the 3 March 2005 approved the procurement of the Annual Servicing and Routine Maintenance of Gas Heating Installations throughout Angus with an option to negotiate extensions to the contracts from 1 April 2008 for a period of up to 4 years by mutual agreement;
6. approve the exemption of the negotiation of the extension to the existing contracts from the tendering provisions of Financial Regulation 16, in accordance with section 16.3.4.

1 EXTENSIONS TO EXISTING GAS MAINTENANCE CONTRACTS

At the beginning of 2008, negotiations took place between the Head of Property and the current Gas Maintenance contractors in accordance with the option to negotiate extensions from 1 April 2008. This option was available for a period of up to four years by mutual agreement after completion of the existing gas maintenance contracts on the 31 March 2008 and was contained

in Report No 262/05 approved by the Housing Committee on the 3 March 2005. The option for an extension was also included in the OJEU advert and contained in the contract award notices published on the 31/12/05. An OJEU advert was required as the total estimated cost of the works exceeded the EU public procurement thresholds.

As any extensions to the contracts would have to take into account inflation the Head of Property and the contractors mutually agreed that, instead of four year extensions, two year fixed price contract extensions were fair and reasonable.

The negotiations resulted in the submission of two fixed price tenders and the current contracts which are in place. These will cover the Council for gas maintenance to its housing stock up to 31 March 2010 as approved by the Neighbourhood Services Committee on the 28 February 2008 (report no 203/08 refers).

Further discussions have recently taken place with the same contractors and they have both agreed to hold their 2009/2010 prices for the financial years 2010/2011 and 2011/2012. This is considered to be mutually advantageous to the contractors and the Council and for reasons described later in this report, it is recommended to extend the current contracts by formal instruction for a further two years.

Members are asked to note that the Committee has the authority under Financial Regulations section 16.3.4 to approve the negotiation of an extension to an existing contract. Based on the position outlined above, members are requested to approve the negotiation and extension of these contracts for 2010/11 and 2011/12 as an exemption from the tendering provisions of Financial Regulation 16 (Contract Arrangements).

2 DESCRIPTION OF WORKS

The works in the original and the current extension to **Contract 1** comprise the following:

- The annual servicing of residential and commercial gas appliances and gas central heating systems along with the provision of landlord's records for all Angus Council housing, except for the Forfar and Kirriemuir housing management areas. This also includes any ad-hoc servicing and landlord's records required for the same areas.
- **Continuous breakdown and emergency cover** for residential gas appliances and gas central heating systems **for all Angus Council housing**, including Forfar and Kirriemuir housing management areas.
- The provision of new gas appliances, fittings and gas central heating systems to replace condemned or obsolete systems in individual houses by instruction from the Contract Administrator. This also to include the provision of a service for the renewal of fittings and controls etc along with a general repair service. This to apply to all areas, except for the Forfar and Kirriemuir housing management areas.

The works in the original and the current extension to **Contract 2** comprise the following:

- The annual servicing of residential and commercial gas appliances and gas central heating systems along with the provision of landlord's records for Angus Council housing in the Forfar and Kirriemuir housing management areas. This also includes any ad-hoc servicing and landlord's records required for the same areas.
- The provision of new gas appliances, fittings and gas central heating systems to replace condemned or obsolete systems in individual houses by instruction from the Contract Administrator. This also to include the provision of a service for the renewal of fittings and controls etc along with a general repair service. This is to apply to the Forfar and Kirriemuir housing management areas.

3 CONTRACTORS PERFORMANCE - CURRENT CONTRACTS

To date, both contractors have performed well. The contractors have demonstrated a high quality of workmanship, reliability, flexibility, communications and co-operation with council staff. This is supported by comments from council staff, tenants and statistical information. WRB Gas also cover the whole of Angus for out of hours call-outs including emergency cover and this service has been operating effectively since the start of the contract.

Both contractors have ably discharged their Health and Safety requirements and this has ensured that Angus Council has been able to fully comply with it's gas maintenance obligations, as a landlord, under the Gas Regulations.

It is considered in the Council's best interests to extend the current contract extensions rather than re-tendering for the following reasons:

- Continuity of service.
- Shortage of competent contractors in this field.
- Satisfactory performance of current contractors.
- History of non-performance with previous contractors.
- Both contractors are holding their costs at 2010 levels for a further two years.
- The cost of re-tendering can be avoided.

4 ESTIMATED TOTAL COST

The estimated total cost of the servicing and maintenance, based on the negotiated tender rates for the period April 2008 to March 2010, is as follows:

Amount of servicing and maintenance for the period 1 April 2010 to 31 March 2012 – Extension to Contract 1	£1,528,000
Allowance for Professional fees and supervisory, travel and administrative expenses	£46,500
Amount of servicing and maintenance for the period 1 April 2010 to 31 March 2012 - Extension to Contract 2	£220,000
Allowance for Professional fees and supervisory, travel and administrative expenses	£12,500
Estimated total cost (*) (at out-turn prices)	£1,807,000

(*) These costs exclude Neighbourhood Services staffing and administration costs associated with the management of the contracts. These costs are estimated at currently £178,076 per year.

5 ALLOWANCE IN ESTIMATES

Allowance will be made for extending these contracts in the overall HRA Planned Maintenance Programme Budget.

6 ESTIMATED PHASING OF EXPENDITURE

The expenditure of the estimated total cost of £1,807,000 will be spread over 3 years:

in 2010/11	£903,000
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in 2011/12	£903,000
in 2012/13	£1,000

7 CONSULTATION

The Chief Executive, the Head of Law and Administration, the Head of Finance and the Director of Neighbourhood Services have been consulted in the preparation of this report.

8 HUMAN RIGHTS ACT IMPLICATIONS

There are no Human Rights Act implications specific to this report.

9 EQUALITIES IMPLICATIONS

The issues dealt with in this Report have been subject of consideration from an equalities perspective (as required by legislation). An equalities impact assessment is not required.

10 CONCLUSION

The Committee is recommended to:

1. approve extending the current contract for Annual Servicing and Routine Maintenance of Gas Heating Installations, Extension to Contract 1 with W R B Gas (Contracts) Ltd, Dundee by formal instruction;
2. approve extending the current contract for Annual Servicing and Routine Maintenance of Gas Heating Installations, Extension to Contract 2 with Saltire Facilities Management Ltd, Airdrie by formal instruction;
3. approve the estimated total cost (at out-turn prices) of £1,807,000 and
4. approve the exemption of the negotiation of the extension to the existing contracts from the tendering provisions of Financial Regulation 16, in accordance with section 16.3.4.

REFERENCES

Committee	Date	Article	Subject
Housing	03/03/05	262/05	Procurement of Gas Servicing, Maintenance and Replacement Systems
Housing	18/08/05	920/05	Annual Servicing and Routine Maintenance of Gas Heating Installations/Gas Heating Replacement Programme (1 January 2006 to 31 March 2008) – Tender List
Housing	21/11/05	1444/05	Annual Servicing and Maintenance of Gas Heating Installations 2006/2008 Contracts 1 – Tender Report
Housing	21/11/05	1445/05	Annual Servicing and Maintenance of Gas Heating Installations 2006/2008 Contracts 2 – Tender Report
Neighbourhood Services	28/02/08	203/08	Annual Servicing and Maintenance of Gas Heating Installations, Contracts 1 & 2 – Extensions to Existing Contracts (1 April 2010 to 31 March 2012) Tender Report

BACKGROUND PAPERS

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing the above report.

Colin McMahon
DIRECTOR OF CORPORATE SERVICES
6050/1066(3058) – 6050/1067(3059) /IGH/DMH