

Finance and Resources Committee

10.00am, Thursday, 26 January 2023

Award of Framework Agreement to support development and operation of Communal Heating Systems in Council Homes

Executive/routine Wards Council Commitments	Routine All
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1. Recommendations

1.1 It is recommended that Finance and Resources Committee:

- 1.1.1 Approve the award of a framework agreement to support development, operation and maintenance of communal heating systems in Council homes to Easy Heat Systems Ltd, Pinacple Power Ltd, Switch2 Ltd and Vital Energi Utilities Ltd; and
- 1.1.2 Note that the framework has an estimated value of £4,000,000 over the maximum four-year term, however, the value above is reflective of estimated future pipeline of works and that the scope of works may fluctuate subject to demand and budget availability.

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Executive Director of Place

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Award of Framework Agreement to support development and operation of Communal Heating Systems in Council Homes

2. Executive Summary

- 2.1 This report seeks approval to award a framework agreement to support development, operational management and maintenance of communal heating systems in Council homes to Easy Heat Systems Ltd, Pinacclle Power Ltd, Switch2 Ltd and Vital Energi Utilities Ltd.
- 2.2 The framework agreement is for two years with the option to extend annually for a further two years with an estimated value of £4,000,000 over the full four-year duration.

3. Background

- 3.1 The Council currently own and operate seven communal heating systems and small-scale heat networks throughout the city and is actively developing new local heat networks as part of its development plan for delivering net zero carbon affordable housing. Current systems are maintained by the in-house workforce with metering and billing services provided by an external provider.
- 3.2 Design, development and management of communal heating systems is a growing and complex area of work which is changing and evolving rapidly.
- 3.3 In order to support the Council in achieving its ambition of net zero carbon by 2030 and recognising the complexity and fast changing technology in this area, it is proposed to set up a framework of experienced organisations to support the Council in the development of design guidance, advice and support to ensure that the approach to metering, billing, routine and cyclical maintenance of both new and existing homes.
- 3.4 The framework providers will help guide the Council in meeting its obligations as a supplier of heat services through the delivery of metering and billing services, tariff setting advice, system performance reviews and support through the design process for new systems. The framework providers can also be called upon to provide operational and reactive maintenance to existing communal heating systems and life cycle replacement; as needed, to supplement in-house resources.

- 3.5 It is intended that, over the course of this Framework, the Council will undertake training and development for in-house teams in order to reduce the reliance on external support for these activities in the future.

4. Main report

- 4.1 Council officers have been working on a procurement process for the establishment of the framework agreement.
- 4.2 Commercial and Procurement Services (CPS) placed a Contract Notice via Public Contract Scotland (PCS) on 26 September 2022 inviting interested suppliers to submit a Tender. Tenderers were required to submit the Single Procurement Document (SPD) to assess the bidders' financial capacity and business probity, a response to the Qualitative Award Criteria (see Appendix 1) and a cost to deliver metering and billing, annual maintenance costs, a cost for common installations and repairs alongside hourly rates and a percentage mark up on materials and plant.
- 4.3 On 5 October 2022, five tenderers submitted a tender response. The submissions were initially evaluated to ensure that they met the minimum compliance checks in terms of business probity, criminal history, and legal requirements such as Health and Safety Policy. All tenderers were then evaluated by a technical evaluation panel. This part of the tender evaluation placed an emphasis on quality, as well as price, with the aim of selecting the most economically advantageous tenders based on organisations tendering on a quality/cost ratio of 70% quality and 30% price. The quality/cost ratio was determined due to a need for suppliers to provide quality service at the most economical price.
- 4.4 The quality analysis was based on weighted award criteria questions, which were scored using a 0 to 10 matrix. Following completion of the quality analysis, tenders that passed the minimum threshold of 50% of the available quality marks were then subject to cost analysis.
- 4.5 The price was sub divided across the various services required within the framework with 20% allocated to design services, 40% allocated to metering and billing services, 35% allocated to maintenance services and the remaining 5% allocated to life cycle replacement costs.
- 4.6 As the 40% final price score is made up of several component parts (i.e. not a single price) it is unlikely that a single supplier would be lowest cost across the board, therefore no supplier achieves the full 40% price assessment.
- 4.7 Where organisations have a "0.0" score for price this is due to their quality bid failing to achieve the pre-set quality threshold of 50%. Organisations failing to achieve the 50% threshold were not considered further for appointment and their fee proposal was not reviewed.
- 4.8 The tender results, combining the quality scores and the price evaluation to derive an overall score for each supplier out of a maximum of 100, are:

Tenderer	Price Score	Quality Score	Total Score
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Vital Energi Utilities Ltd	25.77	57.40	83.17
Switch2 Energy Ltd	21.33	54.95	76.27
Easy Heat Systems Ltd	23.66	47.95	71.61
Pinaccl Power Ltd	23.78	44.80	68.58
Tenderer 5		32.90	32.90

- 4.9 As the top four scoring providers have submitted the four most economically advantageous tenders, they are therefore recommended for appointment.
- 4.10 The call off methodology provides the Council with the opportunity to place call offs with the top ranked provider without further competition utilising the rates in the framework. There is also the opportunity to run mini competitions between all framework providers at any value where the Council deems it necessary to demonstrate best value.

5. Next Steps

- 5.1 Subject to Committee approval, the framework agreement will commence on 1 March 2023.
- 5.2 Once established, the framework agreement will be managed by the Housing Operations Team and the Contract Manager will ensure that effective contract management is delivered throughout the contract lifecycle. A Contract Management and Handover Report, detailing the necessary steps and measures, will be produced and agreed.
- 5.3 It is envisaged that proactive contract management, to include robust monitoring of all appropriate management information, key performance indicators and budget/savings tracking) will assist in the delivery of an effective and efficient service.

6. Financial impact

- 6.1 The estimated contract value being taken forward is reflective of estimated spend and the scope of works may fluctuate subject to demand. Contract spend will be monitored on an ongoing basis to ensure that the costs submitted as part of any call off are within the allocated budget and demonstrate best value to the Council.
- 6.2 The costs associated with procuring this contract are estimated to be between £10,001 and £20,000.
- 6.3 The framework, including extensions, has an estimated value of £4,000,000.

7. Stakeholder/Community Impact

- 7.1 The framework mandates that the suppliers will provide a community benefit from the community benefit menu for every service order commissioned.
- 7.2 The framework utilises the Council's menu of community benefits which currently lists available benefits each with a point value associated. Every supplier is committed to this system. The value of the call off pre-determines the amount of points that the supplier is required to spend, this will occur for every call off. Each community benefit offer will be monitored on the Council's community benefits platform by the Council's contract manager and reported annually.
- 7.3 The providers have committed to paying the Real Living Wage and have committed to signing the Council's Construction Charter.

8. Background reading/external references

- 8.1 None.

9. Appendices

- 9.1 Summary of Tendering and Tender Evaluation Process.

Appendix 1 - Summary of Tendering and Tender Evaluation Process

Contract	Operation, Management and Maintenance Requirements for Communal Heating Systems in Council Homes	
Contract period (including any extensions)	2 years with the option to extend annually for 2 further years	
Estimated Contract Value (including extensions)	£4,000,000	
Procurement Route Chosen	Open	
Tenders Returned	5	
Name of Recommended Supplier(s)	Easy Heat Systems Ltd Pinacple Power Ltd Switch2 Ltd Vital Energi Utilities Ltd	
Price / Quality Split	Price (30%)	Quality (70%)
Evaluation Criteria and Weightings	Question	Weighting
	Experience	20%
	Framework Delivery Team	15%
	Delivery Approach and Methodology	25%
	Health and Safety	10%
	The Environment	10%
	Fair Work Practices	10%
	Fair Work Management Information	Not scored
	Community Benefits	10%
Evaluation Team	Programme Manager, Place Senior Construction Project Manager, Place Senior Housing Development Officer, Place External Advisors – Blackwood Partnership	