

LONDON BOROUGH OF CAMDEN	WARDS: All
REPORT TITLE Procurement of a Supplier of Individual Domestic Heating Systems (SC/2025/28)	
REPORT OF Cabinet Member for Better Homes	
FOR SUBMISSION TO Cabinet	DATE 4 June 2025
STRATEGIC CONTEXT <p>In February 2025, Cabinet approved the in-house delivery of domestic heating repairs, installation and servicing. This will help the Council improve the service to residents by having more direct control and integration of resources, selecting its own products with long warranty periods, direct oversight of appointments, dealing with complaints directly and being more able to flexibly transition to sustainable heating options.</p> <p>In this paper we are seeking approval to procure a supplier of Individual Domestic Heating Systems such as gas boilers and heat pumps. This exercise is for the materials only, and the heating systems we procure will be installed by the in house team. The Council needs to purchase heating systems from a recognised supplier in order to support the in-house delivery of the service from April 2026.</p> <p>The work outlined in this report supports the ambitions set out in We Make Camden, making sure Camden has enough decent, safe, warm, and family-friendly housing to support its communities</p>	
SUMMARY OF REPORT <p>This report sets out a proposed procurement of a materials supplier of Individual Domestic Heating Systems (IDHS). The systems that are procured will be installed by the in-house service, as approved by Cabinet February 2025.</p> <p>The Council as landlord has statutory obligations to service, maintain and replace mechanical and electrical equipment associated with the properties it owns which includes domestic heating systems. Heating and gas safety is an important area of compliance for the Council to manage, and performance is reported as part of our regular and constructive dialogue with the Regulator of Social Housing.</p> <p>The current outsourced contract comes to a natural end 31 March 2026 and in February 2025 Cabinet approved the in-source of the service from April 2026. The current provider of the outsourced contract provides appropriate IDHS as needed.</p>	

From April 2026, the Council itself will be responsible for sourcing IDHS such as boilers and heat pumps, and associated materials, this requiring a strategic approach to procurement so that the Council can secure discounts and beneficial warranty periods.

The report is coming to Cabinet because the proposed contract between a supplier of IDHS is fifteen years with a total estimated value of £22.15m. The contract is for the provision of materials and the installation will be carried out by the in-house team. The contract will be non-exclusive, meaning that the Council can move to other arrangements should market conditions or delivery arrangements change.

The recommended approach proposed in this report will be to appoint a long-term supplier of IDHS and associated installation materials by conducting a mini-competition between suppliers that are already registered on an established, national framework. This will enable the Council to maximise value for money, secure high quality products with long warranty periods, and access suppliers who can provide both high performing boilers and renewable energy solutions such as heat pumps.

Local Government Act 1972 – Access to Information

No documents that require listing were used in the preparation of this report.

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RECOMMENDATIONS

The Cabinet is asked to:

1. Approve the procurement strategy for the supply of individual domestic heating systems and the associated installation materials relating to service, maintenance and installation of heating systems to the Council's Housing Revenue Account (HRA) homes as detailed in this report.
2. Delegate the award of a contract to the Executive Director Supporting Communities following consultation with the Cabinet Member for Better Homes.

Signed:



Gavin Haynes – Director of Property Management

Date: 21 May 2025

1. CONTEXT AND BACKGROUND

- 1.1. This report sets out a procurement strategy for the appointment of a supplier of Individual Domestic Heating Systems (IDHS) such as modern boilers or heat pumps. From April 2026, the Council's new in-house team, as approved by Cabinet in February 2025, will service, repair and install IDHS. This report is to secure the materials that the in-house team will install.
- 1.2. Heating and gas safety is an important area of compliance for the Council to manage and performance is reported as part of our regular and constructive dialogue with the Regulator of Social Housing. The Council decided in February 2025 to deliver IDHS servicing, repairs and installations in house to provide greater control over resources deployed, allow it to select its own products with long warranty periods, have direct oversight of appointments with residents, allow it to deal with complaints directly and allow it to flexibly transition to sustainable heating options.
- 1.3. The report is coming to Cabinet because the proposed contract between a materials supplier of IDHS is fifteen years with a total value of £22.15m.
- 1.4. The Council's in-house team will use this contract to replace approximately 850 heating systems per year over a 15-year period
- 1.5. In addition, the Council will replace 2,000 very old gas boilers within the first 2.5 years of the in house service starting.
- 1.6. The recommended approach proposed in this report will be to appoint a long-term supplier of IDHS by conducting a mini-competition between suppliers that are already registered on an established, national framework. By using an existing framework, we will be able to maximise the bulk purchase discounts available, take advantage of well-established national providers and specify a range of modern gas boilers or heat pumps with maximum manufacturer warranty.
- 1.7. Table 1 below sets out the projected costs over a 15-year period.

Table 1

Contract name	Contract Value (<i>using current 2024/25 estimated prices</i>)
Supply of individual domestic heating systems and associated materials.	Year 1 = £2.550m Year 2 = £2.550m Year 3 = per year = £1.725m Years 4-15 = £1.275m p.a.
In total, the Council expects to replace 14,750 heating systems over 15 years.	Total Value = £22.125m over 15 years (excl. VAT).

- 1.8. This procurement exercise is solely for the materials, and installation will be covered by the new in-house service which is due to go live April 2026. The report to Cabinet February 2025 (SC/2025/11) sets out how the in-house service will be mobilised, its commitment to delivering service improvements and Social Value, and the Equalities Impact Assessment for the new arrangements.

2. PROPOSAL AND REASONS

- 2.1. Through the current outsourced contract, the Council has installed just under 5,000 boilers. From April 2026, a new in-house team, as approved by Cabinet in February 2025, will be responsible for purchasing and installing boilers and other IDHS.
- 2.2. The proposed contract length is 15 years – the approximate timescale over which all current IDHS will be replaced – with a total estimated contract value of approximately £22m. However, the contract will be non-exclusive meaning we do not have to place orders with the supplier if they are underperforming.
- 2.3. Value for money and the performance of equipment installed will be reviewed annually at a minimum.
- 2.4. Over time the Council, as with all other landlords, will be working out how to fund and deliver the transition to heat pumps, or other energy sources, with pilot installations taking place as part of retrofit projects and communal heat pumps commonplace on new build schemes under the Community Investment Programme. For the time being the focus remains on making sure that the boilers provided to tenanted homes are as efficient as possible.
- 2.5. The main drivers for the proposed approach are set out below:
- Appointing a supplier of IDHS which has been procured in a compliant manner
 - Seeking the highest value for money solution by utilising existing frameworks and running a bespoke mini-competition
 - Selecting a supplier that can provide both modern gas boilers and renewable energy solutions such as heat pumps
 - Selecting a supplier that will be able to support the efficient operation of the in-house team e.g. by offering 'in-Borough depot' and / or 'delivery to site' solutions
 - Selecting a supplier that will be able to supply high quality branded products, with maximum manufacturer warranty as standard

3. OPTIONS APPRAISAL

3.1 Use of an established framework – this option is recommended

The proposed approach is to procure a non-exclusive call-off contract via a framework provider such as Procurement for Housing, Fusion 21, Pretium, or another recognised framework.

- 3.2 The proposal is to procure these services by April 2026 because the existing outsourced service, repair and installation contract comes to its natural end in March 2026 and the installation is being insourced.

- 3.3 The contract will have a term of 15 years. This is the approximate timescale over which the Council will renew all IDHS in its housing stock.
- 3.4 It will also give the winning provider time to fully familiarise with existing Camden process and requirements as well as offering the best value for money.
- 3.5 Framework providers have already established, through a competitive and compliant process, a list of competent providers capable of supplying IDHSs and associated materials. As such, the Council can be assured that any appointed supplier has the skills and experience to operate in this service area.
- 3.6 Camden procurement teams will work with the framework provider to run a mini-competition to ensure the Council's exact requirements can be procured.
- 3.7 Organisations will be invited to submit a fully priced and resourced tender, as part of the mini-competition. This will include both a qualitative and commercial submission.
- 3.8 Tenders will be evaluated on a 60:40 price:quality ratio.
- 3.9 Other options considered were:

3.10 Use of an open competitive or competitive flexible procedure under the Procurement Act 2023 – this option is not recommended

- 3.11 The Council does use open and other competitive procedures for the procurement of term contractors. The process typically takes 12 months from initial approvals through to appointment and mobilisation. In this instance the main constraint is that this procedure would not provide the best value for money. Suppliers would be able to provide discounts based on Camden's volume of spend only. A supplier on a framework has already priced a significant volume discount that is likely to be greater than that which it could offer LB Camden individually.

3.12 Camden specific framework – this option is not recommended

- 3.13 The Council does procure its own frameworks. The structure of a framework would not suit these services, which require regular reviews based on volumes and scope of works and turnaround times. This lends itself to a supply only contract where providers provide discounts for materials based on the overall volumes they are delivering across a range of clients.

4. WHAT ARE THE KEY IMPACTS / RISKS? HOW WILL THEY BE ADDRESSED?

- 4.1. The table below identified risks and control measures that will be put in place:

Risk	Control Measures / Mitigations
Affordability of the Supplier	Tender contract sums will be independently scrutinised and collectively fall within budget allocations. A cost manager will be undertaking the assessment and routinely auditing cost and value.
Transition to Net Zero	The procurement will specify that the supplier is to support the Council to transition to net zero by providing a wide range of modern boilers and renewable heating solutions.
Contract performance	The procurement will clearly specify what performance is required and include mechanisms to allow effective contract and performance management.
Service continuity and compliance maintained	The Council will make sure there is a sufficient mobilisation period so that servicing and inspection programmes can be maintained. We will have a documented and managed de-mobilisation plan that will be resourced by an experienced contract manager.
Change in legislation	By directly delivering the service, the Council will be able to adjust its procurement of materials more efficiently and effectively than if it were to partner with a contractor. This will support the Council's move towards more sustainable technologies.

5. CONSULTATION/ENGAGEMENT

- 5.1 Informal engagement has taken place with Procurement for Housing (PfH) and Fusion 21 Framework providers to understand the principles behind their frameworks as well as seeking feedback on social value commitments. Updates to residents on the in house IDHS service, will be provided through Council newsletters, reports to representative bodies such as the District Management Committees, Camden Association of Street Properties and the Residents' Panel.

6. LEGAL IMPLICATIONS

- 6.1 The Council is required to carry out its procurement activities in accordance with the Council's Contract Standing Orders.
- 6.2 Legal Services have reviewed this report in light of the Council's Contract Standing Orders (CSOs), as well as the Public Contracts Regulations 2015 (PCR) and the Procurement Act 2023 (PA23).
- 6.3 The Council as landlord has statutory obligations to service, maintain and replace mechanical and electrical equipment associated with the properties it owns which includes domestic heating systems.
- 6.4 The procurement route proposed is to procure a materials supply contract via a mini competition from a PCR compliant Framework such as the Procurement for Housing, Fusion 21, or another recognised framework.
- 6.5 Frameworks established under the Public Contracts Regulations 2015 (PCR) will remain compliant routes to market, even after the Procurement Act 2023 came into force. That means that contracts can be awarded through existing frameworks until they expire.
- 6.6 Legal Services and Procurement Officers have considered the recommended option and consider that the recommended option is in compliance with CSOs, the PCR as well as the PA23.

7. RESOURCE IMPLICATIONS

7.1 This report sets out procurement of a supplier that will supply Individual Domestic Heating Systems (IDHS) such as boilers and heat pumps as well as the associated installation materials for Housing Revenue Account (HRA) Housing to come into effect in April 2026.

7.2 In total, the Council expects to replace 14,750 IDHSs over 15 years. Based on 2025/26 prices, value is estimated as follows:

Year 1 = 1,700 per year = £2.550m
Year 2 = 1,700 per year = £2.550m
Year 3 = 1,150 per year = £1.725m
Years 4-15 = 850 per year = £1.275m p.a.

Total Value = £22.125m over 15 years (excl. VAT)

7.3 The new installations will represent capital expenditure. The table below shows the capital spend in the previous 3 years and compares it with the budgets allocated. It also shows the number of installations per year:

<i>Expenditure Capital (Installations) 3090085</i>				
Year	Actual Spend	Installations	Ave capital cost per installation	Budget
22/23	£1.520m	560	£2,714	£2.000m
23/24	£1.694m	662	£2,558	£2.000m
24/25	£1.939m	679	£2,856	£2.000m
TOTAL	£5.153m			£6.000m

7.4 The new contracts will aim to start in April 2026 and therefore will impact from the 2026-27 financial year to the end of the contract. The 2026-27 and 2027-28 budgets for individual heating have been set at £2.5m as part of the annual first capital review process and capital budget allocations will need to be kept under review each year.

7.5 This relates to capital spend and therefore Medium-Term Finance Strategy (MTFS) commentary is not applicable

8. ENVIRONMENTAL IMPLICATIONS

8.1 It is acknowledged that CO2 from Council buildings, including domestic dwellings, is the greatest contributor to poor air quality in Camden. The procurement of Individual Domestic Heating Systems (IHDS) is necessary to ensure the Council fulfils its obligations as a landlord.

8.2 Insourcing the service and undertaking a competitive procurement of a supplier will allow the Council to prioritise the use of modern, energy-efficient boilers that emit fewer pollutants, such as nitrogen oxides (NOx) and carbon monoxide (CO),

compared to older models. By actively replacing outdated boilers, we will be able to reduce air pollution levels across the borough.

- 8.3 The supplier awarded the contract will also have to demonstrate their ability to help the Council transition to low-carbon fuels and / or renewable energy sources. The in-house team will facilitate this transition, allowing for a gradual shift to lower-emission alternatives, including but not limited to heat pumps.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1. The key milestones for the recommended approach are set out below:

Key milestones	Indicative date (or range)
Procurement report – (Cabinet)	June 2025
Tender process	July 2025-September 2025
Contract Award Report	November 2025
Contract Signature	January 2026
Mobilisation	January 2026 – March 2026
Service start date	April 2026

REPORT ENDS