

## Report of Chief Officer Property and Contracts

## Report to Director of Environment and Housing

Date: 29 January 2015

**Subject: Approval to procure a contract to provide the replacement of obsolete 'Point of Sale' and individual metering equipment for high rise flats at Ebor and Saxton Gardens**

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): Burmantofts & Richmond Hill		
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

## Summary of main issues

1. A long term solution and a variety of energy purchasing options combined with a new 'Smart' prepayment metering system to individual properties within 9 high rise blocks at Ebor Gardens and Saxton Gardens is required to replace the existing heat meters and to alleviate the over-reliance on the existing Point of Sale (ENR-G Switch2) outlets which are becoming obsolete.
2. The costs of replacing the existing Points of Sale with new 'Smart' pre-payment fuel meters will be approximately £272k for 540 installations which consists of the supply, installation and commissioning of prepayment meter. There is an additional annual admin cost per property for managing the remote monitoring of the equipment and remote identification of any exceptions within the properties which will be included in this procurement.
3. The report, in line with the requirements of CPR 3.1.8 requests an approval to the procurement route set out within the report for a contract to deliver the required works as set out above.

## Recommendations

4. The Director of Environment and Housing is requested to approve the proposal to undertake a procurement of a new contract for the replacement of obsolete 'Point of Sale' and individual metering equipment for high rise flats at Ebor Gardens and Saxton Gardens including the service of managing billing and reporting from these meters through using separate Materials and Installation Contracts – with Smart Prepayment Meters to be procured from the Re:allies Materials Framework (via the Efficiency North

Framework partnership) and the installation of same procured via the Efficiency North Elemental Works Framework Lot 18 (Gas Heating £100k+).

## Purpose of this report

- 1.1 The purpose of this report is to outline the procurement options available and recommend a procurement route to enable a new contract for the replacement of obsolete 'Point of Sale' equipment and individual metering equipment for high rise flats at Ebor Gardens and Saxton Gardens including the service of managing billing and reporting from these meters

## 2 Background information

- 2.1 The 540 flats situated in 3 high rise blocks at Ebor Gardens (Gargrave, Scargill, and Brignall Blocks) and a further 6 blocks at Saxton Gardens (Flax Place, The Lane, The Garth, The Place and The Drive) currently benefit from communal heating supplied by communal boilers. Each flat has individual meters to control the amount of heating supplied. Tenants currently purchase heating 'credit' through existing Point of Sale equipment, now approximately 20 years old and, which is coming to the end of its natural life expectancy.
  - 2.2 The existing Point of Sales equipment (originally supplied by ENR-G Switch2), plus the individual meters are now obsolete and replacement parts are becoming increasingly difficult to obtain, with no new parts being manufactured.
  - 2.3 Recycling existing parts has become essential to keep the system in operation.
  - 2.4 Residents have extremely limited opportunities to purchase fuel credit, with only the existing 'point of sale' outlets being available through local housing offices, which also have limited opening times
  - 2.5 Continual malfunction of the aging Point of Sale equipment is leading to complaints from residents who are subsequently unable to purchase fuel credit
  - 2.6 It is proposed to replace the existing Point of Sale and prepayment Meters with updated versions on a planned replacement basis through this procurement to ensure the compatibility of new planned replacements with a number of already replaced equipment recently on a responsive and ad-hoc basis.
  - 2.7 Replacing the existing point sales with individual 'smart' prepayment meters (ENR-G Switch2) will provide of the following benefits.:
    - Removes the need for a point of sale outlet as the only option for purchasing fuel credit
    - Helps improve residents' budgeting
    - Providing a variety of payment options available ( telephone, internet, post office )
    - The ability to top up at all times
    - Provide tenants with a visual display of energy consumption
    - Easy installation of replacement equipment
    - Allowing users to see what they are using and when
    - Has a text messaging facility to assist in managing fuel usage
- The operating system software can be remotely upgraded

- Remote change of tariffs or standing charge over GPRS network providing tenants with better accessibility to competitive rates
- Remote change of tenancy, including full data protection for former tenants
- Remote notification to Housing Management of any suspected tampering with the equipment.
- Automatically collection of any daily standing charges to cover any fixed costs

2.9 The total estimated cost of £272k has been approved as part of the 2014/15 Capital Programme in February 2014.

### **3 Main issues**

3.1 There is a significant risk to Leeds City Council and affected residents within these blocks, including existing leaseholders that the existing point of sales equipment will cease working effectively and result in the occupants being unable to purchase fuel credit.

3.2 The existing point of sale equipment is becoming obsolete and spare parts are becoming increasingly difficult to obtain.

3.3 Due to the age of the prepayment meters there is a need to replace these with modern meters to allow residents to better manage their fuel (heating) usage.

3.1 With the project now reaching procurement stage, there is a need now to consider the next steps in terms of procurement options to deliver the construction work.

3.2 In discussion with procurement officers within the Public Private Partnership Unit (PPPU) the following Procurement options have been considered in line with CPR 3.1;

- a. In line with CPR 3.1.4, the Council's Internal Service Provider (ISP) has been consulted and requested to confirm their availability and capacity to undertake the works. However the ISP has since declined the offer to undertake the work after consideration of their capacity, skills and experience.
- b. There is a potential to utilise the existing gas contract arrangements for the East North East area of Leeds with Sayers via Construction Enterprise Leeds (LCC's ISP). However the existing arrangements do not include for this specific type of work and therefore there is no guarantee that value for money would be achieved.
- c. Utilising existing frameworks: The main frameworks considered with PPPU officers were as following
  - i. YOR Build: This framework is not considered to be the most appropriate of the existing frameworks as this predominantly caters for new build and major refurbishment works.
  - ii. Efficiency North: This framework caters predominantly for the elemental approach in terms of renewal and installations. Through discussions with Efficiency North, two options have been identified as available to Leeds in terms of utilising this framework.

- Option 1: Using separate Materials and Installation Contracts – ENR-G Switch2 Smart Prepayment Meters to be procured from the Re:allies Materials Framework (via the Efficiency North Framework) and the installation of same procured via the Efficiency North Elemental Works Framework Lot 18 (Gas Heating £100k+).
- Option 2: Utilising the Efficiency North Elemental Works Framework Lot 18 (Gas heating £100k+) – Works including ENR-G Switch2 Meters could be procured via the above Elemental Works Framework as one contract.

The view is that option 1 provides the greatest compliance under Efficiency North's Re:allies Materials Framework where there is already provision to specify products to be added to the supply catalogue under the Efficiency North distribution framework with Plumbing Trades Supplies (PTS). LCC could simply request the Switch 2 Meters to be added to the catalogue and then called off by the installation contractor with LCC paying PTS for the smart meters directly. This reflects the approach already employed by LCC for the heating renewal programme that Housing Leeds currently delivers.

The Efficiency North Elemental Framework provides time efficiencies gained in the PQQ (Pre Qualifications Questionnaire) stage where the existing contractors have already been successfully appointed to the Framework following rigorous evaluation of quality and pricing criteria.

- iii. Fusion 21: Consideration has been given to this consortium as procurement of the works could be undertaken through Alliance Procurement Club. However this type of work is not available on this framework
- iv. Northern Housing Consortia: similar to the above, this type of work is not available on this framework
- v. Utilising *Construction Line* has also been considered; however given the nature of the specialist repair element of the scheme, officers' view is that this is not appropriate for this type of work.
- vi. Full open Market procurement: The timescales involved in pursuing this route can be extensive and resource intensive given the work content. Due to the time expediency requirements to start the work to undertake essential replacements, this option therefore is considered not to be time effective.

3.3 Therefore, Officers within Housing Leeds are recommending utilising the LCC approved Efficiency North Elemental Works Framework Lot 18 (Gas Heating £100k+) through the route outlined in Option 1 above (Item 3.2 c ii) to procure the works for this scheme.

3.4 The following timescales are proposed as an outline programme to enable the project to be delivered

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|--|-------------|
| • Approval of DDP                          | 29 Jan 2015 |
| • Final tender docs preparation completion | 23 Feb 2015 |
| • Tender process start                     | 02 Mar 2015 |

- Tender process completed 01 Apr 2015
- Evaluation of tender by 17 Apr 2015
- Leaseholder consultation (Stage 2) completed by 01 Jun 2015
- Contract Award /Alcatel period completed by 19 Jun 2015
- Final Leaseholder consultation completed 31 July 2015
- Construction start on site 03 Aug 2015
- Contract Completion 01 Feb 2016

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 The Lead Housing Member and local ward members have been consulted through the quarterly updates provided and have received notification of forthcoming procurement of these works in the Quarter 3 Investment Plan update issued in Dec 2014.
- 4.1.2 Consultation has been undertaken with representatives from the local Residents and Tenants Association, who have expressed a keen interest in the proposal to replace the existing and only point of sale outlets at Ebor and Saxton Gardens with 'Smart' prepayment meters
- 4.1.3 Existing Leaseholders have received pre-notification relating to the proposed works and their individual contributions towards the cost of the proposed works. The second notification is planned to be issued
- 4.1.4 Officers within PPPU /PU have been involved in discussions with Property and Contract officers and support the proposals set out within this report.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 The Equality, Diversity, Cohesion and Integration Screening document has been considered and completed. No adverse or otherwise impacts have been identified

### **4.3 Council policies and City Priorities**

- 4.3.1 The works undertaken by the contract will contribute to the key City Priorities of *"Improving Housing Conditions" and help maintain properties in good repair condition.*

### **4.4 Resources and value for money**

- 4.4.1 The current capital budget available is within the approved capital programme for Housing Leeds and is £272k.
- 4.4.2 The project will be delivered by the Capital Planned Works team within the Property and Contracts division of Housing Leeds.
- 4.4.3 By utilising the approved Efficiency North Elemental Framework, whom which shortlisted contractors have already undergone a rigorous quality assessment, further competition will be included through a mini tender as indicated in the outlined programme under 3.2 C ii Option 1 above.

- 4.4.4 Efficiency North Framework fees are 4%. This includes 1% that goes towards the “4Good Homes fund”, which funds the apprenticeship scheme.

## **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 PPPU legal will be undertaking due diligence of the Efficiency North Framework contract
- 4.5.2 The Chief Officer for Property and Contracts, Head of Housing Contracts and PPPU/PU have both been consulted about the proposals to procure this contract and are satisfied that the proposal complies with the Contract Procurement Rules. There are no other known legal implications of the report’s proposals. The decision to procure this contract will be published on the Council’s Website and has already been published on the Council’s List of Forthcoming Decisions.
- 4.5.3 The decision is subject to call in. The value for the construction works exceeds the Key Decision threshold and is circa £272k

## **4.6 Risk Management**

- 4.6.1 A risk register will be developed as part of the contract implementation and the preparation of the Contract Management Plan and is required by the NEC ECC Short Form of contract which will highlight all risks and register how contract risks will be managed.
- 4.6.2 The main risks associated with procurement are low and are relating to the procurement time; however a project plan has been detailed out of which the summary is covered as per item 3.4 above.

## **5 Conclusions**

- 5.1 Due to the specialist nature of the equipment required to be procured, and having explored the available procurement options, it is proposed that the following contract procurement route is recommended to facilitate the replacement of obsolete Sale of Point equipment and prepayment meters in the residential blocks outlined within this report:

Efficiency North Framework - Option 1: Using separate Materials and Installation Contracts – ENR-G Switch2 Smart Prepayment Meters to be procured from the Re:allies Materials Framework (via the Efficiency North Framework partnership) and the installation of same procured via the Efficiency North Elemental Works Framework Lot 18 (Gas Heating £100k+).

## **6 Recommendations**

- 6.1 The Director of Environment and Housing is requested to approve the proposal to undertake a procurement of a new contract for the replacement of obsolete ‘Point of Sale’ equipment and individual metering equipment for high rise flats at Ebor Gardens and Saxton Gardens including the service of managing billing and reporting from these meters through using separate Materials and Installation Contracts – with Smart Prepayment Meters to be procured from the Re:allies Materials Framework (via the Efficiency North Framework partnership) and the installation of same procured via the Efficiency North Elemental Works Framework Lot 18 (Gas Heating £100k+).

## **7 Background documents<sup>1</sup>**

7.1 None

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.