

Report of Head of Operations, Leeds Building Services

Report to Director of Resources and Housing

Date: 16th July 2019

Subject: Authority to call off from the Fusion 21 framework to direct award a contract to support Leeds Building Services with the citywide provision for Commercial Gas including installation, maintenance, servicing, and repairs

Are specific electoral wards affected? If yes, name(s) of ward(s): Citywide	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary

1. Main issues

- ‘Commercial Gas’ refers to commercial gas heating systems and associated equipment. This work is independent of the domestic gas contracts in place across the city. Commercial gas servicing, maintenance and installation is currently delivered Citywide by Leeds Building Services (LBS) via a sub-contract with a Leeds based company called Sayes Service Limited. This is through the Mechanical Works framework which is due to end on 21st September 2019 with the option to extend for 2 x 12 months.
- Previously Sayes Service Limited only delivered this service to the East of the city, and the remainder of the city works were delivered through the two Term Service Contracts (TSC) with Mears Group Ltd, who also sub-contracted this work to Sayes Service Limited.
- Following discussions with LBS and Property & Contracts, it was proposed that LBS deliver the Commercial Gas provision city wide as part of the LBS Growth Strategy, increasing the volume of work delivered via LBS and consolidating the current delivery provision of the commercial gas service.
- Originally the intention was for LBS to continue to sub-contract to Sayes Service Limited through the Mechanical Works contract in order to provide sufficient time in which to appraise the option of developing capacity within LBS to deliver the works

directly. As delivery of the service to the east of the city is delivered through the Mechanical Works contract, it was assumed this contract could be utilised to also deliver the service to the other areas of the city, however upon investigation, it has been identified that the relevant Lot of the contract was not originally tendered at a sufficient value to cover the full citywide requirement of approx. £1.1m per annum.

- As a result the Mechanical works contract is not suitable to be used for this service beyond September 2019 when it expires, and a new dedicated contract needs to be put in place to commence from 22nd September 2019.

2. Best Council Plan Implications

- Helping to maintain and improve our housing stock.

3. Resource Implications

- LBS have confirmed they have the expertise to manage the commercial gas service but will need to evaluate resource requirements following the latest recruitment of LBS operatives to assess whether the service may be able to deliver the provision directly. Therefore work will continue to be sub-contracted to Sayes Service Limited if authority to proceed with this recommendation is approved.
- The service will operate on the agreed framework prices with clear costs and ways of working laid out during the direct award process.

Recommendations

- a) In accordance with the Council's Contract Procedure Rules 3.1.6, this report requests the Director of Resources & Housing to approve the use of the Fusion 21 framework to make a direct Contract Award to Sayes Service Limited for a term of 2 years with an optional extension of 1 x 12 months, with a potential maximum total contract value of £3.3m.

1. Purpose of this report

- 1.1 This report provides detail on the proposed strategy and recommendation to deliver Commercial Gas through LBS as part of its growth strategy.

2. Background information

- 2.1 At the October 2018 meeting of the LBS Improvement Board, it was agreed growing LBS was a key priority for the LBS Change Programme. Under the LBS Growth Strategy, six key areas were identified and agreed by the LBS Improvement Board for expansion and growth. One of these areas was Commercial Gas.
- 2.2 The scope of the commercial gas service includes the installation, repairs, servicing and maintenance of commercial and communal heating systems, including plant, infrastructure and associated equipment. Currently, there are 83 sites within the scope of this service. It also includes the maintenance of pump stations to 14 tower blocks across the city.

- 2.3 The volume of sites within scope will expand over the course of coming years, with particular note to the Leeds PIPES project and the potential development of additional district heating systems. This proposal therefore provides a step to developing and expanding the capacity to manage this increase while consolidating both the housing and non-housing delivery of commercial gas services.
- 2.4 Work is currently delivered by LBS through the Mechanical Works framework and is sub-contracted to Sayes Service Limited citywide to a value of c.£1.1m per annum. The values for each area per annum for Commercial Gas are shown below which includes labour and materials:

East: c.£400,000

South: c.£340,000

West: c.£360,000

3. Main issues

- 3.1 LBS currently undertakes the delivery of commercial gas installation, repairs, servicing and maintenance city wide for both non-housing stock (Corporate Property Management (CPM) stock e.g. schools, community centres, offices, sports facilities and libraries) and also for housing.
- 3.2 LBS currently sub contract the housing works to Sayes Service Limited utilising the existing Mechanical Works contract – Lot 7 Commercial Gas however it has been identified that this specific Lot of the contract was not originally tendered at a value sufficient enough to cover the approx. £1.1m annual cost of the Commercial Gas service.
- 3.3 LBS currently conduct all CPM works with internal skilled workforce and therefore the requirement of a sub contract to support this is not required.
- 3.4 As a result the Mechanical works contract is not suitable to be used for this service beyond September 2019 when it expires, and a new dedicated contract needs to be put in place to commence from 22nd September 2019.
- 3.5 In order to ensure no lapse in the service, LBS Procurement have quickly worked to identify a suitably OJEU compliant route which will allow us to direct award a contract to a Commercial Gas provider by utilising the Fusion 21 Heating systems framework. This framework has already been through an OJEU compliant procurement process and will significantly reduce the timescales it would take for us to set up a suitable contract to deliver the service.
- 3.6 Due to the long standing positive relationship, high standards of service received and the wealth of knowledge Sayes Service Limited have of the commercial gas systems used within Leeds, LBS would like to continue to use Sayes Service Limited in the interim whilst the delivery of a citywide service is fully established under 1 contract as opposed to the previous delivery across 3 contracts.
- 3.7 Sayes Service Limited have been successful in gaining 1 of 7 positions on this framework, and the framework rules permit us to proceed direct to contract award without the need for further competition.
- 3.8 We are confident in Sayes Service Limited's ability to continue delivering an efficient value for money service citywide, and consultation with the Head of Operations at

LBS, the Head of Mechanical & Electrical, and LBS Service Leads who manage the current contract confirms that they are fully supportive of this proposal and the contractors ability to deliver the service to the required levels based on previous and current performance.

- 3.9 It is proposed a direct call off from the Fusion 21 framework is used to establish a contract for 2 years with the option to extend for 1 x 12 months during which time LBS will review this contract in 6 months' time and use the findings to start the procurement exercise for the new contract which will start once this direct award contract expires should it be approved.
- 3.10 LBS have only been responsible for managing the whole Citywide delivery of this service since April 2019, direct awarding a short term contract to Sayes Service Limited would provide stability and allow time for LBS to get a better understanding of the full requirements of this service and how to efficiently manage the combined contract which was previously delivered on 3 separate contracts.
- 3.11 During the contract term it is also LBS' intention to develop their internal skilled workforce for this service with the hope of delivering the majority of this service in-house in the future, with a small element still sub-contracted out to ensure adequate levels of support at peak work times.
- 3.12 LBS is undergoing continuous recruitment for Commercial Gas Service Engineers and Heating Engineers. They have recently recruited 6 apprentices into the Heating Department and intend to recruit further apprentices for next term. These apprentices are currently being trained to work in the Heating and Ventilation sector which includes the installation, servicing, maintenance and repairs of mechanical, domestic hot water, plumbing, heating and ventilation systems.
- 3.13 LBS are also actively training existing engineers which is taking place both on the job and on site, as well as training academically at our training providers. This is to achieve the relevant 'GAS SAFE Accredited Certification Scheme' qualification which shows they are competent to carry out commercial gas works safely on site.
- 3.14 LBS currently has the knowledge, skills and qualifications required for the works, although at present resources and capacity are the main reasons for the requirement to use a sub-contractor.
- 3.15 By utilising the Fusion 21 framework, LBS will need to pay the fixed rates on this contract. In comparison to the 2017 mechanical works contract rates, there is an average increase of 10% which has been reviewed by our Quantity Surveyors and they have confirmed that they apply a 4% BCIS (Building Cost Information Service) increase on rates every year. Given the current rates are from 2017, they feel that the framework rates are fair and if we were to go out to market and look for more competitive rates, the rates may end up being considerably higher.
- 3.16 All parties including relevant the Heads of Service have been made aware of the cost implications of utilising this framework to establish a direct award contract, and are in support of this proposal to ensure an effective continuation of the service delivery.
- 3.17 Should the recommendation to proceed to direct contract award not be approved, we would need to undertake a competitive process which we estimate would take a minimum of 18 weeks to complete if a framework were to be utilised. During this time the service would need to continue and therefore the Authority would be subject to off contract non-compliant spend with Sayes Service Limited from 22nd September when the current Mechanical Works contract expires until early/mid

December. This period does not allow for mobilisation should a provider other than Sayes Service Limited be successful and therefore the off contract non-compliant spend period could be greater, as we would not recommend the mobilisation of a new provider during the winter months when delivery of the Commercial Gas service would be at its most crucial.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 Consultation with the Head of Operations at LBS and the Head of Mechanical & Electrical has taken place and both are in agreement with the recommendations in this report.
- 4.1.2 Consultation has taken place with the legal team within Procurement and Commercial Services (PACS) who has reviewed the framework and has confirmed that the Council can utilise the framework as intended and can direct award to Sayes Service Limited without opening up further competition.
- 4.1.3 Consultation with Fusion 21 as the framework provider, and Sayes Service Limited has also taken place to discuss the proposals
- 4.1.4 Consultation has taken place with the service leads and they have confirmed there will be a need for external contractor support once this contract has ended.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 An equality, diversity, cohesion and integration screening has been undertaken which has indicated that there are no negative impacts arising from undertaking this procurement.

4.3 Council policies and the Best Council Plan

- 4.3.1 This contract will contribute to the delivery of the following Best Council Plan key priorities;
 - Housing

Climate Emergency

- 4.3.2 The Council declared a Climate Emergency for the City on the 27th March 2019 and one element is to reduce carbon emissions. How we are trying to achieve this is by scheduling the works so that properties nearby each other are worked on either at the same time or after each other. Through shared travelling and bulk deliveries to site, this will reduce the impact on each area and help to reduce the frequent travelling of the staff and materials.

4.4 Resources, procurement and value for money

- 4.4.1 The proposal to continue to manage Commercial Gas through LBS supports the growth of the internal service provider as outlined in their Business Plan 2018-2023.

- 4.4.2 LBS have confirmed they have the expertise to manage the commercial gas service but will need to evaluate resource requirements following the latest recruitment of LBS operatives to assess whether the service may be able to deliver the provision directly. Therefore work will continue to be sub-contracted to Sayes Service Limited if authority to proceed with this recommendation is approved and a contract is subsequently awarded to Sayes Service Limited.
- 4.4.3 Direct awarding through frameworks provides an efficient and economical means to access the market in a compliant manner reducing administrative costs and buying time, whilst ensuring we are dealing with capable suppliers who have already been through an OJEU competitive procurement exercise and have been pre-evaluated to evidence their ability to deliver a value for money service.

4.5 Legal implications, access to information, and call-in

- 4.5.1 The procurement will be undertaken in line with Leeds Council's Contract Procedure Rules where applicable.
- 4.5.2 Due diligence checks of the preferred contractor will be done to ascertain their financial position prior to contract award. This will ensure we are contracting with a financially sound organisation limiting the risk of works not being completed.
- 4.5.3 Given the costs related to this contract this decision will be a key decision and will be eligible for call in. There are no grounds for keeping the contents of this report confidential under the Access to Information Rules.
- 4.5.4 In making their final decision, the Director of Resources and Housing should note the above comments and be satisfied that the course of action chosen represents best value for the Council.

4.6 Risk management

- 4.6.1 The key risk includes the reliance on one contractor, Sayes Service Limited to deliver the commercial gas function across the whole city. This will be managed with robust contract management processes in place. It should also be noted that Sayes Service Limited has a long standing relationship with Leeds City Council and has consistently delivered services to a high standard throughout the course of the existing contracts.
- 4.6.2 The contract will be managed and monitored regularly by service area representatives to ensure the benefits of the services are maximised and the contractor's performance will be measured over the life of the contract.
- 4.6.3 A creditsafe check has been undertaken to determine Sayes Service Limited financial standing and the result shows that they are classified as low risk

5. Conclusions

- 5.1 In conclusion, this report highlights the proposed procurement route and sets out the contract structure for the delivery of commercial gas services.

6. Recommendations

- 6.1 In accordance with the Council's Contract Procedure Rules 3.1.6, this report requests the Director of Resources & Housing to approve the use of the Fusion 21 framework to make a direct Contract Award to Sayes Service Limited for a term of 2 years with an optional extension of 1 x 12 months, with an estimated total contract value of £3.3m.

7. Background documents¹

- 7.1 Equality, Diversity, Cohesion and Integration screening

¹ 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.