



Report of: Head of Property Management

Report to: Director of Resources & Housing

Date: January 2021

Subject: Proposed extensions of Gas Fuelled Domestic Heating - Lot 3 (West) & Outer North West (ONW)

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, name(s) of ward(s): Lot 3 (West): Armley, Bramley & Stanningley, City & Hunslet, Horsforth, Kirkstall, Moortown, Pudsey, Weetwood, Farnley & Wortley Outer North West (ONW): Adel and Wharfedale; Calverley and Farsley; Guiseley and Rawdon; Horsforth; Otley and Yeadon; Weetwood;	
Has consultation been carried out?	<input type="checkbox"/> Yes <input checked="" 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 type="checkbox"/> Yes <input checked="" 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

1. Main issues

- There are currently two Gas Fuelled Domestic Heating contracts that need extending. Both are with Liberty Gas Group and due to expire on 31st March 2021. They each have the option to extend for a further 4 x 12 month periods. To enable continuity for tenants and compliance with safety regulations, this report seeks approval for 2 x 12 month extensions to be implemented for each contract:
DN192869 - Lot 3 (West) of Leeds: £3 million per annum
DN198406 - Outer North West (ONW) area of Leeds: £1.5 million per annum
- There are four Gas Fuelled Domestic Heating contracts for Servicing, Repair & Installations across the city (split by location). The contracts for Lot 1 in the South & Lot 2 in the East were both recently extended to 31st March 2022 (South) and 30th June 2022 (East) following approval of a key decision in December 2019.

2. Best Council Plan Implications (see the [latest version of the Best Council Plan](#))

- The works undertaken throughout these contracts and their extended terms contribute to the Best Council Plan by supporting Housing which is one of the big priorities for Leeds City Council. More detail will be provided later in the report.

3. Resource Implications

- The estimated value of extending the contracts are below:
 - a. Lot 3 (West) – £3 million per annum
 - b. ONW – £1.5 million per annum
- Total spend to date for this contract has been in line with the estimated contract value.
- The current contract allows the Schedule of Rates to be adjusted each time the contract is extended, in line with the BCIS BMI Local Authority Maintenance Cost Indices – Services. Liberty have therefore requested a contract uplift which has been agreed and verified as per the contract terms at a rate of 10%.

4. Recommendations

- a) The Director of Resources and Housing is recommended to approve the use of 2 x 12 month extension provisions for contract **DN192869 / 9V6C-XSVTXL**. The contract is with Liberty Gas Group for Lot 3 (West Leeds), with the proposed extension commencing on 1st April 2021 until 31st March 2023, at an estimated value of £3 million per annum.
- b) The Director of Resources and Housing is recommended to approve the use of 2 x 12 month extension provisions for contract **DN198406 / A7VL-87D9E5**. The contract is with Liberty Gas Group for ONW Leeds, with the proposed extension commencing on 1st April 2021 until 31st March 2023, at an estimated value of £1.5 million per annum.

1. Purpose of this report

- 1.1 To provide an update on the performance of both contracts with Liberty Gas Group.
- 1.2 To seek approval to use 2 of the 4 optional 12 month extension provisions for the Gas Fuelled Domestic Heating contracts for the West and ONW areas of Leeds that are due to expire on 31st March 2021.

2. Background information

- 2.1 The Gas Safety (Installation and Use) Regulations 1998 make it mandatory that gas appliances and installations are maintained in a safe condition at all times. To comply with these regulations, the contracts require provision of annual servicing, responsive repairs, maintenance and installations to dwellings within the respective areas. This equates to approximately 16,600 properties across both contracts (West Leeds - approx.11,000 and ONW Leeds - approx.5,600 properties).
- 2.2 During the procurement process, 3 lots for Gas Servicing, Repairs & Installations were advertised together within a single OJEU procurement process for different

areas of the city (Lot 1 South, Lot 2 East and Lot 3 West). The ONW area was advertised separately. Lots 1 and 2 have already been extended using provisions within their initial contracts as referred to in the Summary at the start of this report.

- 2.3 Both contracts for West and ONW were awarded to Liberty Gas Group and commenced on 1st April 2017 for a duration of 4 years with the option to extend for a further 4 x 12 month periods.
- 2.4 These contracts must now utilise extension provisions to ensure continuity of supply and compliance under the Gas Safety (Installations and Use) Regulations 1998.

3. Main issues

- 4.1 It is now the intention to extend both contracts for West and ONW by 24 months. They are due to expire on 31st March 2021 but have options to extend for 4 x 12 month periods.

The estimated value of extending the contracts are below:

- Lot 3 (West) – £3 million per annum
- ONW – £1.5 million per annum

- 2.2 Lots 1 and 2 have already been extended using provisions within their initial contracts. All 4 servicing contracts were procured separately to the Materials provision which is due to expire on 31st March 2021. The intention is to align all contracts so that they expire around the same time in 2024/2025, along with the separate Domestic Heating Materials Provision which supplements these contracts. Furthermore, implementing just 2 of the 4 available extensions gives more flexibility should a change be required.
- 4.2 The Mechanical and Electrical Services Manager has been approached in order to provide an update on current performance. From this it has been concluded that Liberty Gas Group have met the minimum performance expectations of service and contract specification required. They see no reason why the extensions should not be implemented. Recent KPI figures reported are not indicative of true performance due to implications of the COVID-19 pandemic.

4. Corporate considerations

4.1. Consultation and engagement

- 4.1.1 Consultation was carried out during the initial procurement exercise.
- 4.1.2 In regards to the extensions, the Housing Leeds procurement team have consulted with the Mechanical and Electrical Service Manager and the Senior Management Team and all parties are supportive of the recommendations in this report.
- 4.1.3 Procurement and Commercial Services (PACS) have provided a spend report which confirms that current spend is in line with estimates. The legal team within PACS have also checked the contents of this report.

4.2. Equality and diversity / cohesion and integration

- 4.2.1 An EDCI assessment was undertaken as part of the initial procurement exercise, it is not anticipated that the proposed extension influences any changes to those outcomes.
- 4.2.1 As the contracts involve going into people's homes and interacting with tenants, the initial EDCI took this into account. Regard was given to tenant engagement and the impact on different characteristic groups, equality and diversity training for contractor staff and flexible appointment times.
- 4.2.2 At the time, it was concluded that there were no specific implications with respect to the contract awards and the same is true with the extensions. A new EDCI will be carried out as part of the re-procurement activity in the future.

4.3 Council policies and the Best Council Plan

4.3.1 The works undertaken throughout these contracts and their extensions will contribute to the Best Council Plan by supporting one of the key priorities, **Housing:**

- Housing of the right quality, type, tenure and affordability
- Improving energy performance in homes, reducing fuel poverty

4.3.2 The continuity of gas provision allows these aims to be fulfilled. The quality of homes can be kept to a good standard by maintenance and repair of heating appliances. Gas heating provisions can help to reduce fuel poverty which arises from poor energy efficiency and cost. Furthermore, living in a cold, damp home could lead to detrimental health so gas provision also contributes to the health and wellbeing of residents.

4.3.3 Climate Emergency

On 27th March 2019, Leeds City Council passed a motion to declare a climate emergency. It is important we try and tackle this by reducing our carbon footprint. Continuation of these contracts will improve energy efficiency within homes and therefore reduce emissions.

4.4 Resources, procurement and value for money

4.4.1 The estimated value of extending the contracts are below:

Lot 3 (West) – £3 million per annum

ONW – £1.5 million per annum

4.4.2 The current contracts are delivering in line with required performance and are deemed to represent value for money by the Head of Mechanical and Electrical. Recent KPI figures reported are not indicative of true performance due to implications of the COVID-19 pandemic.

4.4.3 The current contract allows the Schedule of Rates to be adjusted each time the contract is extended, in line with the BCIS BMI Local Authority Maintenance Cost Indices – Services. Liberty have therefore requested a contract uplift which has been agreed verified as per the contract terms at a rate of 10%.

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

- 4.5.1 The works outlined in this report are governed by The Gas Safety (Installation and Use) Regulations 1998.
- 4.5.2 Uptake of the extension provisions will be in compliance with the Council's Contracts Procedure Rules and the contract terms.
- 4.5.3 This decision is a Significant Operational Decision as it is a direct consequence of a previous Key Decisions.

4.6 Risk management

4.6.1 A contract management plan was put in place in line with CPR 3.1.16 to mitigate any risks in the contract period. The current contract management plan will be reviewed and updated to reflect the extension of the contract and any future risks that need to be mitigated.

4.6.2 Off-contract spend

The implementation of an extension with sufficient time to action means that off-contract spend can be avoided.

4.6.3 Compliance to Regulations

The risks of not extending the contracts may lead to non-compliance with The Gas Safety (Installation and Use) Regulations 1998 and disruption to supply.

4.6.4 COVID-19

The implications of the COVID-19 pandemic are ongoing and difficult to predict, though it may have an effect on access to properties and subsequent spend or financial standing of the contractor.

5 Conclusions

5.1 It is proposed that the contract extensions should be approved in order to allow works to continue compliantly and on contract. Liberty Gas Group have performed satisfactorily to date and therefore there are no reasons why extensions should not be implemented.

6 Recommendations

6.1 The Director of Resources and Housing is recommended to approve the use of 2 x 12 month extension provisions for contract **DN192869 / 9V6C-XSVTXL**. The contract is with Liberty Gas Group for Lot 3 (West Leeds), with the proposed extension commencing on 1st April 2021 until 31st March 2023, at an estimated value of £3 million per annum.

6.2 The Director of Resources and Housing is recommended to approve the use of 2 x 12 month extension provisions for contract **DN198406 / A7VL-87D9E5**. The contract is with Liberty Gas Group for ONW Leeds, with the proposed extension commencing on 1st April 2021 until 31st March 2023, at an estimated value of £1.5 million per annum.

7 Background documents¹

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.

- 7.1 Contract award report - Lot 3 (West) – see link [here](#)
- 7.2 Contract award report - Lot ONW – see link [here](#)