

**Report of Head of Strategy & Investment**  
**Report to Director of Resources & Housing**

**Date: 05 March 2021**

**Subject: Tender evaluation results and proposed award of contract for professional services at Stage 1, related to design work on the District Heating Clusters for high rise housing scheme.**

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, name(s) of ward(s): Armley, Little London & Woodhouse, Gipton & Harehills, Killingbeck & Seacroft		
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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, access to information procedure rule number: 10.4 (3)		
Appendix number: Appendix 1		

**Summary**

**1. Main issues**

- As part of the council's activity to tackle the climate emergency, and address fuel poverty, a key decision and associated procurement strategy was taken in July 2020 to approve a scheme and procure a contractor to replace heating and hot water systems in 26 high rise blocks, installing a low carbon district heating network in the form of six clusters..
- The preferred contractor will design and build and, for a limited time maintain the installation, which will provide energy to be used for heating and hot water purposes in each flat.
- The procurement exercise for the stage 1 requirements in regards to design has now been completed and this report provides details of the tender evaluation process undertaken.
- This report seeks the decision to enter into a Professional Services Contract (NEC4 PSC) with the preferred contractor, where design works will start on the first batch of two clusters, Wykebeck Valley and The Barncrofts, finalising the design and costs for these works.

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

- This will contribute to the Best Council Plan priority of tackling poverty through improving energy performance in homes, and supports the outcome of everyone living in good quality, affordable homes.
- This work is strongly aligned to the Best Council Plan Housing Priorities

### **3. Resource implications**

- The proposed value of the NEC4 PSC Contract is for a total sum of £91,633.50, with the estimated total budget for the scheme as £24,250,000.
- The scheme including design, construction and maintenance contracts will be funded from the Housing Revenue Account (HRA). The first substantial spend on this project will be in the 2021/2022 financial year. Authority to spend was granted in the July 2020 Key Decision Report (See Section 7, background documents).

### **4. Recommendations**

It is recommended that the Director of Resources and Housing:

- a) approves the award of the Professional Services Contract for the design activity in connection with the District Heating Clusters scheme to Cenergist Limited for the sum of £91,633.50;
- b) notes that a subsequent report seeking approval to award the construction and operation and maintenance contracts for the Wykebeck Valley and the Barncrofts clusters is expected to require a decision in late summer 2021.

## **1. Purpose of this report**

- 1.1 The purpose of this report is to document the procurement processes undertaken, and the tender evaluation process, to identify the preferred contractor to be appointed to work with the Council on the six District Heating Clusters across the city.
- 1.2 This report also seeks approval from the Director of Resources and Housing to award the Professional Services Contract for design activity to Cenergist Ltd as a result of the procurement process at stage 1.

## **2. Background information**

- 2.1 A link to the preceding key decision report from July 2020, on the scope and procurement strategy of the scheme, can be found in the background documents in section 7.
- 2.2 Twenty six council high rise housing blocks have been identified as needing new heating solutions to improve energy efficiency. This project seeks to design, build and for a limited time maintain six District Heating Clusters to achieve this. For reference, a cluster is defined as a network providing heating and hot water within a maximum of six high rise blocks. A batch refers to a group of two clusters.
- 2.3 The project team is supported by specialist technical expertise throughout this scheme. This is being provided by Ove Arup Partners International Limited (Arup's), following a separate competitive procurement process.
- 2.4 In January 2021 an updated application for European Regional Development Funding (ERDF) was submitted. If the application is successful it will allow £7.4m of European funding to be used for construction works on the first four clusters.

## **3. Main issues**

- 3.1 Following approval and the expiry of call in from the key decision for this scheme on 31<sup>st</sup> July 2020, a competitive OJEU Restricted Tender procurement exercise was undertaken for a preferred contractor to undertake the required works. This was carried out via YORtender, using an NEC4 PSC Contract for design activity.
- 3.2 The procurement was undertaken as a two stage process. Stage one will award a contract to undertake detailed designs of the clusters for each site in order to achieve approval to proceed with construction.
- 3.3 As part of the stage 1 PSC design contract, the contractor will develop and then submit their Stage two tender proposals for both construction, and operation and maintenance of each batch of clusters.
- 3.4 Separate decision reports each one seeking approval for the contract award of each batch of construction and operation and maintenance contracts will be brought for decision from late summer 2021 through to early spring 2023. These reports will act as gateway decision points, enabling decision making for each batch of clusters.
- 3.5 Due to this being an OJEU Restricted Tender, a PAS91 (Pre-qualification Questionnaire) and draft contract and tender documentation was published in August 2020 the submission deadline was 30<sup>th</sup> September 2020.
- 3.6 Six completed PAS91 submissions were received by the deadline. The evaluation criteria, approved by the Head of Strategy & Investment, agreed that a maximum of six organisations were to be shortlisted and invited to tender. Five organisations passed the qualifying criteria and minimum threshold of 50% overall threshold.

- 3.7 The unsuccessful organisation not shortlisted at the PAS91 stage was notified accordingly with feedback provided to support future procurement applications.
- 3.8 Tenders were invited and documentation was published via YORtender to the five shortlisted contractors on 4<sup>th</sup> November 2020, with a tender return deadline of 9<sup>th</sup> December 2020.
- 3.9 The five remaining contractors were invited to a bidder's day events held on the 27<sup>th</sup> November 2020 and the 1<sup>st</sup> December 2020. This allowed contractors the opportunity to ask any questions or clarifications related to submitting their tender. In addition it also enabled the Council to emphasise the key nature of the scheme and how tenders were to be submitted and evaluated. All queries raised by contractors were responded to promptly and in order to remain open and transparent all were published to all tenderers on YORtender.
- 3.10 Due to a large number of queries being raised, the tender return date was extended to 21<sup>st</sup> December 2020. This allowed tenderers to take into account answers raised to the bidder's day queries and incorporate these into their bid so as to allow them to submit a robust compliant tender.
- 3.11 By the tender return deadline 5 submissions were received by Cenergist Ltd, Engie Regeneration Ltd, Imtech (ESSCI Limited), Kensa Engineering and Vital Energi Solutions Ltd.
- 3.12 Tenders were assessed on a 50% quality and 50% price split, and the evaluation process was overseen by procurement officers.
- 3.13 The quality aspect of each submission was assessed by a panel consisting of officers from the Strategy & Investment team, the Sustainable Energy and Air Quality Team and the Property Management team.
- 3.14 The strengths and weaknesses of each answer were discussed and a consensus score for each response reached. Additional non-scoring support from consultees was sought from Arup's.
- 3.15 All submissions achieved over the minimum 50% threshold on question two as well as overall for all the quality criteria set.
- 3.16 The tendered price that was split over three distant aspects was reviewed for completeness and compliance by Strategy & Investment Quantity Surveyors. Full details of this price evaluation can be found in the Tender Analysis Report attached as confidential Appendix 1.
- 3.17 A summary of the evaluation scores are:

<b>Tenderer</b>	<b>Price Score (50%)</b>	<b>Quality Score (50%)</b>	<b>Total Score</b>
Cenergist Ltd	250.00	390.00	640.00
Engie Regeneration Ltd	200.83	354.50	555.33
Kensa Engineering Ltd	100.00	319.50	419.50
Imtech (ESSCI Limited).	66.76	309.50	376.17
Vital Energi Solutions	33.33	330.00	363.33

- 3.18 Therefore the tender evaluation identifies the preferred contractor as Cenergist Ltd. Their proposed approach for this scheme is to use Ground Source Heat Pumps for the clusters, which during the professional services contract they will build up detailed designs for.
- 3.19 Full Indicative timescales for the works are detailed within the Key Decision. They indicate that the design work for clusters 1 and 2, it set to be completed by

September 2021. This would allow a decision to be taken on awarding a construction and operation and maintenance contract in late summer 2021. Indicative timescales for the remaining clusters can be found in the Key Decision Report.

#### **4. Corporate considerations**

##### **4.1 Consultation and engagement**

- 4.1.1 This report has been developed by Housing Strategy and Investment in consultation with Procurement, Commercial and Legal Services, all of which have reviewed all proposals and supported the planned decisions.
- 4.1.2 The Executive member for Communities has been consulted is in support of this scheme.
- 4.1.3 At earlier stages, during the development of the procurement strategy, ward members were briefed on high level project plans. Ward members will be shared further details on the scheme as the detailed designs develop and resident consultation takes place in their ward areas. This will initially be within the Gipton & Harehills and Killingbeck & Seacroft wards for the first two clusters.
- 4.1.4 Full resident engagement will commence once the Council has agreed the approach with the preferred contractor. A draft resident and engagement plan was submitted with the tender return, and this will be finalised during the design phase. Resident engagement for clusters 1 and 2 is set to have been completed before a decision is taken to award the construction and maintenance contracts in late summer 2021.
- 4.1.5 Leaseholders will be given the option to buy into the scheme. As such, a formal consultation period does not apply. Once full costings have been developed as part of design activity, leaseholders will be consulted with on costs for the scheme.

##### **4.2 Equality and diversity / cohesion and integration**

- 4.2.1 An Equality, Diversity, Cohesion and Integration impact assessment was completed and published with the July 2020 key decision report.
- 4.2.2 Council requirements in relation to equality and diversity were included within the tender and contract documentation for bidders on the scheme and the contractor will be required to ensure these are maintained throughout the contractual period.

##### **4.3 Council policies and the Best Council Plan**

- 4.3.1 This procurement has been undertaken with openness, transparency and fairness throughout. This project has been procured in line with the councils Contract Procedure Rules.
- 4.3.2 This work is strongly aligned to the Best Council Plan Housing Priorities to:
- Support communities and tackle poverty improve housing quality and standards.
  - Promote sustainable and inclusive economic growth.
- 4.3.3 One of the quality evaluation criteria for this scheme was in relation to the bidder's social value offer, including employment and skills and support the local economy. Appendix 1 notes additional information on this for the preferred contractor.

##### Climate Emergency

- 4.3.4 In 2019 the Elected Members of Leeds City Council declared a Climate Change Emergency, and we have a commitment to becoming carbon neutral by 2030.

- 4.3.5 As part of the council's commitment to reducing carbon emissions, one of the quality criteria questions asked the bidders to detail how they would reduce carbon emissions day-to-day during work on the scheme. Appendix 1 notes additional information on this for the preferred contractor.
- 4.3.6 As part of the design activity, the contractor will be required to demonstrate how they can meet the intended climate benefits before construction activity begins.

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

- 4.4.1 The procurement process has been carried out in an open and transparent manner in line with the Contract Procedure Rules. It has ensured that competition was sought to identify best value.
- 4.4.2 The value of the Professional Services Contract for the design activity is a total sum of £91,633.50.
- 4.4.3 Prices submitted by the successful contractor during the Professional Services Contract, once costs for the construction work are finalised, will be analysed by a Quantity Surveyor in the Strategy & Investment commercial team to ensure value for money is achieved.
- 4.4.4 If successful in the ERDF application, the scheme would benefit from £7,402,651 in European funding. An update on the application is due in spring 2021.
- 4.4.5 Arup's will continue to support the project team and will work with the council to ensure value for money is achieved and the contractor meets the intended benefits.
- 4.4.6 The first significant year of spend on this scheme is 2021/2022. Detailed projected spend by financial year can be found in the Key Decision Report (See Section 7, background documents).

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

- 4.5.1 This report is a Significant Operational Decision and not subject to call in. It is a subsequent decision of the key decision to undertake the procurement.
- 4.5.2 The tenders have been evaluated in accordance with the evaluation criteria set out in the tender documents. Therefore provided the works are still required and affordable, the successful contractor will enter a contractual agreement to carry out the design activity, as set out within the tender documentation. In making the final decision, the Director of Resources and Housing should be satisfied that this contract represents best value for the Council.
- 4.5.3 The information in Appendix 1 of this report has been identified as exempt/confidential under the Access to Information Rules 10.4 (3). The public interest in maintaining the exemption in relation to the confidential Appendix outweighs the public interest in disclosing the information and financial details which, could adversely affect the business of the Council and the business affairs of a number of individual companies.
- 4.5.4 A 10 day standstill period has been carried out in accordance with the Regulations to allow unsuccessful providers to view the outcome of the procurement exercise in an open and transparent manner. This concluded on 4<sup>th</sup> March 2021 and no issues were raised.
- 4.5.5 Following this decision there will be a series of reports which will act as gateway decision points for each batch of construction and maintenance contracts. Each subsequent decision will be bought back to the decision maker for approval.

## **4.6 Risk management**

4.6.1 A risk register for the project is in place and has been managed throughout the scheme so far to mitigate risks. The project team will continue to monitor the identified risks and consider any new risks moving forward through design activity.

4.6.2 A contract management plan will be in place for this contract and will provide clear roles, responsibilities and regular review points with the contractor during design activity.

4.6.3 Notable risks include:

Health & Safety: Following the outbreak of COVID19, the health and safety of residents, staff and its contractors is the council's priority. As part of this scheme any site visits or activity where entry to a resident's property is required, will be carried out in line with government guidance and site specific risk assessments.

Timescales to meet construction delivery: This will be regularly monitored to ensure works are completed on time. Progress against plan will be regularly monitored and any issues will be escalated to keep activity on track.

4.6.4 Lessons learnt from similar projects demonstrates that a strong community communication strategy is required. This was incorporated within the tender process with one of the quality criteria requesting a draft stakeholder communication plan. This draft communication plan will be finalised and agreed by the council before communicating with the community.

## **5. Conclusions**

5.1 The procurement process undertaken has been in accordance with the Council's Contracts Procedure Rules, with full guidance and support from procurement officers.

5.2 Following the tender evaluation of all 5 bids the successful contractor for stage 1 and the Professional Services Contract has been identified as Cenergist Limited. This has taken into consideration both quality and price submissions. Therefore they have proved to be the most economically advantageous. The value of the Professional Services Contract for the design activity is a total sum of £91,633.50.

5.3 This contract award will allow detailed designs to be developed in order to meet the specifications laid out in the tender documentation. Full resident and leaseholder engagement will also be carried out during this period. A tender sum will be agreed for each batch and a report will then be brought back for a decision to award each contract, allowing construction work to commence on the clusters.

## **6. Recommendations**

It is recommended that the Director of Resources and Housing:

- approves the award of the Professional Services Contract for the design activity in connection with the District Heating Clusters scheme to Cenergist Limited for the sum of £91,633.50;
- notes that a subsequent report seeking approval to award the construction and operation and maintenance contracts for the Wykebeck Valley and the Barncrofts clusters is expected to require a decision in late summer 2021.

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

[Key Decision Report - Authority to Procure for this scheme](#)

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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.

**8. Appendices**

Appendix 1 – Tender Analysis Report (Confidential)