

Authority to directly award a contract to Sayes Service Limited for the provision of Commercial Gas services including installation, maintenance, and repairs

Date: 11th July 2022

Report of: Head of Leeds Building Services

Report to: Director of Resources

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Summary

- '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 repairs, maintenance and installation is currently delivered citywide by Leeds Building Services (LBS) via a sub-contract arrangement with a Leeds based company called Sayes Service Limited ("Sayes"). This contract was procured through the Fusion 21 Heating and Renewables framework in 2019 and is due to end on the 21 September 2022.
- This report outlines the procurement options available to replace the existing contract, along with a recommendation to approve a direct call-off from an existing third-party framework – Fusion 21.
- LBS are seeking approval to put in place an 18-month contract with an optional 6-month extension, with an estimated total contract value of £1,000,000.

Recommendations

- a) The Director of Resources is recommended to note the contents of this report and approve the recommended procurement route of a direct call-off to Sayes using Lot 3 and 4 of the Fusion 21 Heating and Renewables framework and to award a contract to them for the provision of installation, maintenance, and repairs to commercial gas services managed by LBS.
- b) The term contract is anticipated to spend £500,000 per annum and is proposed to be awarded on the basis of 18 months with the option to extend for a further 6 months, leading to a potential total value of £1,000,000 if the extension is utilised.
- c) The contract is to commence on the 22 September 2022.

What is this report about?

- 1 The purpose of this report is to outline the procurement options and seek approval for the recommended route to put in place arrangements for 22 September 2022.
- 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 approximately 83 sites within the scope of this contract. It also includes the maintenance of pump stations to approximately 14 tower blocks across the city.
- 3 Over the course of the proposed contract period, specifically around the Leeds PIPES project and the potential development of additional heating systems and decarbonisation schemes, there is a potential expansion in the scope of works/requirements, which will be covered by this contract. However, the estimated spend value of £500,000 per annum is deemed to be adequate given potential fluctuations, for example, there could be less work to plant rooms and as new sites come on, they will be under warranty and so work would be done by others.
- 4 Below is an overview of the options that were considered:
 - a) **Full Find-a-Tender procurement**

Although this has been considered, it was deemed to be unsuitable due to the short-term nature of the proposed contract and the need for continuity of service delivery. LBS are wanting to ensure that there is continuity in providing the service to the tenants and want to avoid the delays that are associated with conducting a full tender process. Furthermore, there is a Find-a-Tender complaint framework available in the market (Fusion 21) and an option such as this or other similar options will be considered for the long-term provision.
 - b) **Mini-competition using a 3rd party Find-a-Tender compliant framework agreement**

The Fusion 21 framework provides this option, however due to the timescales involved, and potential long term mobilisation period, and need to ensure and maintain continuity in addition to the current market conditions, a direct call-off was seen to be more suitable.
 - c) **Direct call-off from a 3rd party Find-a-Tender compliant framework agreement**

Due to the short-term nature of the contract and continuity of the service, the recommended route is to proceed with a direct award via the Fusion 21 Heating and Renewables framework. As well as the quick turnaround, other benefits to this method include access to pre-qualified suppliers that have already gone through a Find a Tender compliant tender process and support/expertise from framework providers. Sayes 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.
- 5 Due to the long-standing positive relationship, high standards of service received and the wealth of knowledge Sayes have of the commercial gas systems used within Leeds, LBS would like to continue to use Sayes.
- 6 There is confidence in Sayes' ability to continue delivering an efficient value for money service citywide, and consultation with the Head of LBS, the Head of Property Management in Housing, and LBS Service Leads who manage the current contract confirms that they are fully supportive of this proposal and the contractor's ability to deliver the service to the required levels based on previous and current performance.
- 7 It is proposed a direct call off from the Fusion 21 framework is used to establish a contract for 18 months with the option to extend for 6 months.
- 8 LBS is currently undergoing a period of significant change and facing unprecedented challenges, therefore the priority for the service at present is recovery and stabilisation meaning

there is not sufficient capacity currently within the service to take on this high-risk activity. The strategy is to in-source and directly deliver this work at the end of this contract period once the service has stabilised and this will provide a platform for a successful transfer.

9 By utilising the Fusion 21 framework, LBS will pay the fixed ‘time and materials’ framework rates on this contract. These are the same rates LBS has paid since 2019 (pre-COVID) which demonstrates VFM and provides stability on the Council’s finances, given the recent construction market conditions due to the impact of COVID.

10 LBS are currently working to the following timeline:

Timeline	
Authority to procure/award report approval	11 th July to 10 th August 2022
Tender pack issued and returned by Sayes	11 th to 17 th August 2022
Contract award process	18 th to 26 th August 2022
Contracts signed	29 th August 2022
Contract start date	22 nd September 2022

What impact will this proposal have?

11 This procurement exercise and subsequent contract will allow LBS to continue providing responsive repairs to commercial and communal heating systems, including ensuring maintenance and service schedules are achieved, and allow for new installations where necessary. This protects the welfare of tenants and building users by ensuring they have continuous access to heating and hot water and ensures the heating systems are operating in a safe and efficient manner.

How does this proposal impact the three pillars of the Best City Ambition?

- Health and Wellbeing Inclusive Growth Zero Carbon

12 This contract will help to improve the energy performance and efficiency of the homes leading to reduced carbon emissions and reduced fuel poverty.

13 This contract will support the council’s ambition for Leeds to be a compassionate and caring city that tackles poverty and reduces inequality, by making sure that our tenants, including some of the most vulnerable people in our city, are able to live in safe, accessible and well-maintained homes.

What consultation and engagement has taken place?

Wards affected:
Have ward members been consulted? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

14 It’s anticipated that there will be no significant impacts to the wards.

15 An equality, diversity, cohesion and integration (EDCI) screening has been undertaken which has indicated that there are no negative impacts arising from undertaking this procurement exercise.

16 This contract will support LBS with their responsibility of repairing, maintaining, servicing, and installing new commercial gas systems throughout the city, on behalf of Housing Leeds.

- 17 Consultation with the service leads, Head of LBS and the Head of Property Management has taken place and all agree with the recommendations in this report.
- 18 Trade Unions were consulted on 10th May 2022 and were supportive of the approach to insource the service at the end of this contract term.
- 19 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 without opening further competition.

What are the resource implications?

- 20 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 a Find-A-Tender competitive procurement exercise and have been pre-evaluated to evidence their ability to deliver a value for money service.

What are the key risks and how are they being managed?

- 21 The key risk includes the reliance on one contractor to deliver the commercial gas function across the whole city. This will be managed with robust contract management processes in place. It should be noted that Sayes have a long-standing relationship with the Council and has consistently delivered services to a high standard throughout the course of their existing contracts. Additionally, LBS have qualified gas engineers who could support the delivery of this work if issues with capacity arise.
- 22 The contract will be managed and monitored by the appointed contract manager within LBS to ensure the benefits of the services are maximised to meet Housing Leeds's requirements. In addition, the contractor's performance will be measured over the life of the contract.
- 23 A contract management plan will be developed that will clearly identify roles and responsibilities of officers with contract ordering and performance management & monitoring activities. This plan will also emphasise the perceived aims and objectives of the contract and how their realisation and contract success will be received and managed, in addition to the plan clearly stating the responsibilities of the contractor.
- 24 There is a risk of challenge from a competitor of Sayes. It is important that a compliant tender process is followed, especially when doing a direct award. The preferred route to market utilises a compliant Find-A-Tender framework, which allows the Council to direct award within the framework terms. To get a place on the framework, Sayes have gone through a competitive tendering process, therefore the Council is compliantly procuring this contract in accordance with the Public Contract Regulations 2015, which minimises the risk of challenge.

What are the legal implications?

- 25 This is a key decision and subject to call in due the contract value being over £500,000.
- 26 It was published on the list of forthcoming key decisions on the 25 May 2022.
- 27 The use of a third-party framework is proposed which has already gone through a Find-A-Tender compliant competitive tendering process.
- 28 The framework terms and conditions have been previously reviewed by the Procurement and Commercial Services legal team and they have confirmed their approval for using this framework. The framework ends on 27 January 2023; therefore, a new contract can be called-off from the framework up until this date.

- 29 This procurement and the associated contract extension will be undertaken with a view to ensure openness, transparency, and fairness in line with the Council's Contract Procedure Rules.
- 30 Due diligence checks of Sayes have been conducted and they are a financially sound organisation limiting the risk of financial issues and works not being completed.

Options, timescales and measuring success

What other options were considered?

- 31 Another option would be to invite competition from the market via an external framework. Whilst this has been considered that route would be unlikely to provide continuity of service from September 2022 and would potentially lead to off contract non-compliant spend. As this is a short-term contract this would not be an attractive option to many organisations and if it were tendered it is highly unlikely to offer better value due to the mobilisation costs involved.
- 32 There has been a desire to in-source this work to LBS for some time however as the service is going through a period of significant change and facing unprecedented challenges at present the priority for the service is recovery and stabilisation. As such there is not sufficient capacity within the service to take on this high-risk activity. The revised strategy is to in-source and directly deliver this work at the end of this contract period.

How will success be measured?

- 33 Key Performance Indicators will be implemented and managed by LBS.
- 34 Successfully achieving all key servicing and maintenance schedules of the commercial gas systems installed throughout the city, including meeting completion dates for any new installations.

What is the timetable and who will be responsible for implementation?

- 35 Timeline is provided at paragraph 10.
- 36 This contract is to commence on the 22 September 2022 and expire on the 21 March 2024 (if the extension isn't utilised).

Appendices

- EDCI

Background papers

- None