

Report seeking approval to implement the available extension of DN192869/9V6C-XSVTXL – Gas Fuelled Domestic Heating – Lot 3 (West) and DN198406/A7VL-87D9E5 - Gas Fuelled Domestic Heating – Outer North West Contracts by 12 months

Date: January 2022

Report of: Head of Property Management

Report to: Director of Communities, Housing & Environments

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

This report is to seek approval to extend two of the current Gas Fuelled Domestic Heating contracts that operate in the city for a further 12 months valued at £4.5m per annum in total. They are: -

1. Lot 3 - West Leeds
2. Outer Northwest Leeds (ONW).

The contracts were originally procured and awarded in 2017 for a 4 year period starting on the 1st April 2017 and ending 31st March 2021 with an option to extend the contracts for a further 4 x12 months under the same terms and conditions.

The Council extended the contracts, as permitted under the terms and conditions, for a further 24 months to 31st March 2023. The contracts will expire on 31st March 2023, therefore the Council is seeking approval to utilise the available extension in accordance with Contracts Procedure Rules (CPR) 21.2.

The proposed contracts extension will start on the 1st April 2023 for 12 months concluding 31st March 2024 with the current contractor which in both cases is Liberty Gas Group.

This extension will continue to contribute towards the Best City objectives in that it will support the Council in ensuring that the housing stock will be of good quality and delivery of improved energy performance in homes whilst potentially reducing fuel poverty.

Recommendations

- a) The Director of Communities, Housing and the Environment is recommended to approve the use of 1x12 month extension provision for contract DN192869/9V6C-XSVTXL. The contract is with Liberty Gas Group for Gas Fuelled Domestic Heating Lot 3 (West Leeds) with the proposed extension anticipated to commence on 1st April 2023 until 31st March 2024, at an estimated value of £3million per annum; and
- b) The Director of Communities, Housing and the Environment approve the use of 1x12 month extension provision for contract DN198406/A7VL-87D9E5. The contract is with Liberty Gas Group for Gas Fuelled Domestic Heating and covers the Outer Northwest Leeds area with the proposed extension commencing on 1st April 2023 until 31st March 2024, at an estimated value of £1.5million per annum.

What is this report about?

- 1 The Gas Safety (installation and Use) Regulations 1998 mandate that gas appliances and installations are maintained and safe to use at all times. To comply with these requirements Leeds City Council procures contracts for annual servicing, responsive repairs, maintenance and installation to gas appliances and installations in its domestic properties. In West Leeds that equates to 11,000 properties and in Outer Northwest Leeds a further 5,600.
- 2 This report is a subsequent decision from a Authority to Award Report decision taken on 25th July 2016 giving approval to award the DN192869/9V6C-XSVTXL and DN198406/A7VL-87D9E5 contracts to Liberty Gas Group - see background report attached at the bottom of this report.
- 3 Both contracts for West and Outer Northwest 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. 1st April 2021 saw a 24-month extension implemented to the contracts, leaving a remaining 2 x 12 months extension available for consideration.
- 4 The purpose of this report is to recommend the extension of these two contracts to the end of March 2024 utilising 1 x 12 months of the available number of extensions provision to ensure continuity of supply and compliance under the Gas safety (Installations and Use) Regulations 1998 whilst allowing time for the Mechanical and Electrical team to review the needs of the business and sufficient time to review the proposed new procurement strategy for gas servicing.
- 5 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.

What impact will this proposal have?

- 6 Approval of this recommendation will ensure that the Council continue to fulfil its legal obligation regarding gas appliance and installation servicing in two key geographical areas of the city. It will also ensure that tenants are housed in a safe environment
- 7 An EDCI assessment was undertaken as part of the initial procurement exercise and attached in the background section of this report. It is not anticipated that the proposed extension influences any changes to those outcomes.
- 8 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.

- 9 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.

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

Health and Wellbeing Inclusive Growth Zero Carbon

- 10 The works undertaken throughout these contracts and their extensions will contribute to the Best City Ambition by supporting one of the key priorities, Housing:
- providing housing of the right quality, type, tenure, and affordability and
 - improving energy performance in homes, reducing fuel poverty
- 11 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, therefore gas provision also contributes to the health and wellbeing of residents.
- 12 These contracts will also contribute to Leeds City Council's Zero Carbon ambition by improving the energy efficacy within homes and reduced emissions.

What consultation and engagement has taken place?

Wards affected:

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

Have ward members been consulted? Yes No

- 13 Consultation and engagement with Communities, Housing & Environment Procurement Team and the Mechanical and Electrical Team has taken place when developing the procurement strategy as well as assessing tendering options during the initial procurement exercise.
- 14 Regarding the extensions, the Communities, Housing & Environment 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.
- 15 This report has been developed by the project team within Communities, Housing & Environment directorate who have been involved throughout the process. These include colleagues from Procurement and Mechanical and Electrical services Advice has been secured from Procurement and Commercial Services Legal Team, who have reviewed the proposals and support the planned decisions.
- 16 The incumbent contractor Liberty Gas Group have been consulted on 15th November 2022 and are accepting of the approach to extend both contracts. 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 Gas Group have therefore

requested a contract uplift in large part due to the current market challenges which has been agreed and verified as per the contract terms.

What are the resource implications?

17 The estimated value of extending the contracts is below:

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

18 The current contracts are delivering in line with required performance and are deemed to represent value for money by the Mechanical and Electrical Services Manager.

19 In making the final decision, the decision maker should be satisfied that this contract extension represents Best Value for the Council.

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

20 A contract management plan has been in place in line with CPR 3.1.17 since the start of the contract in 2017 to mitigate any risks in the contract period. The contract management plan will be reviewed and updated to reflect the extension of the contract and any future risks that need to be mitigated.

21 The following are possible risks that could arise from this contract. However, actions will be taken to mitigate them:

- **Off-contract spend** - The implementation of an extension with sufficient time to action means that off-contract spend can be avoided.
- **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.
- **Over budget** – The risk of the project exceeding the allocated budget has been managed by the production of robust costings taking in to account the current market conditions.
- **Material costs** – The cost of materials in the is anticipated to increase significantly due to the market trends and conditions. Therefore, by working in partnership with the supplier, the council can regularly review the risks and plan mitigation strategy accordingly.

What are the legal implications?

22 The works outlined in this report are governed by The Gas Safety (Installation and Use) Regulations 1998.

23 There are no specific legal implications arising from this report. All activities relating to the proposed contract have been executed strictly in accordance with the Councils Contract Procedure Rules. Contracts Procedure Rules 21.2 permits contract extensions if: they are put in place before the contract expiry date, the proposed extension is in accordance with the contract terms, and the Authorised Officer has established in writing that the extension will deliver Best Value. These requirements are considered satisfied.

- 24 Extending the contract is a direct consequence of a previous Key Decision of the initial contract award and should be treated as a significant operational decision, as such it is not subject to call in – see background papers below.
- 25 There are no grounds for keeping the contents of this report confidential under the Access to Information Rules.

Options, timescales and measuring success

What other options were considered?

- 26 The option not to extend and retender was considered but it was felt that the team need more time to reevaluate the needs of the business and as the current incumbents are meeting all the requirements of the contract it was best to extend the current contract giving more time for the re-tender as required.

How will success be measured?

- 27 The existing Contract Management Plan which has been in place since the start of the contract in April 2017 will be used in the proposed extension period, ensuring contractors adhere to the required KPIs.
- 28 The Gas services team regularly meet with the contractor to review these as well as deal with any ongoing issues. This will continue throughout the extended period.
- 29 Key benefits will include improved resident satisfaction with their heating and insulation, better value for money for resident's fuel bills, and improved comfort levels and wellbeing.

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

- 30 The implementation of this contract extension is sought so that it can be implemented in advance of the current contracts ending on 31st March 2023 ensuring provision remains in place through until the 31st March 2024.
- 31 The Communities, Housing & Environment Procurement Team and Gas Services Team will be responsible for implementation.

Appendices

- N/A

Background papers

- Authority to Award report - Lot 3 (West): [Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk/council-and-democracy)
- Authority to Award report - Lot ONW: [Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk/council-and-democracy)
- EDCI: [Impact Assessment Screening Form \(leeds.gov.uk\)](https://leeds.gov.uk/impact-assessment-screening-form)