

Contract Award for the Replacement of Heat Interface Units in connection with District Heating and Hot Water at Cottingleys and Saxton Gardens.

Date: 7th February 2024

Report of: Chief Officer Housing

Report to: The Director of Communities, Housing and Environment

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

- This report seeks approval to award a contract to Sayes Service Limited for the replacement of 542 Heat Interface Units across two sites at Cottingleys High Rise and Saxton Gardens. The Heat Interface Units were installed some time ago and are now reaching the end of their economic lifespan.
- Fifteen contractors were invited to tender and by the tender deadline of 14th November 2023 one bid was received. Following the evaluation of the tenders, Sayes Service Limited has been identified as the winning bidder.
- External funding has been secured from the government's Heat Network Efficiency Scheme (HNES). The rest of the budget will be funded by the Housing Revenue Account.

Recommendations

The Director of Communities, Housing and Environment is recommended to:

- a) Approve the award of a contract to Sayes Service Limited for the sum of £2,569,012.10 to deliver the replacement of 542 Heat Interface Units (HIUs) and associated works at two sites, Cottingley High Rise blocks and Saxton Gardens.

What is this report about?

- 1 The report provides details of the tender evaluation process and seeks approval from the Director of Communities, Housing and Environment to award the contract to Sayes Limited for delivery of the replacement of 542 HIUs in Cottingley High Rise Blocks and Saxton Gardens.
- 2 The scheme supports the Council's activity to tackle the climate emergency, and the 'Best City Ambition' strategies towards growth, health & wellbeing to maintain and improve housing quality and standards.

What impact will this proposal have?

- 3 The project will reduce the burden on the responsive repairs budget as costly reactive replacements of failed units approaching the end of their economic lifecycle.
- 4 This project will directly benefit residents, reduce carbon emissions, improve the buildings energy efficiency performance, which will improve thermal comfort and dependant on usage, reduce residents heating costs.
- 5 An Equality, Diversity, Cohesion, and Integration (EDCI) impact assessment was undertaken previously for this scheme with no expected negative impacts and can be found within the Key Decision report that was approved on 6th October 2023 in the background documents of this report.

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

Health and Wellbeing Inclusive Growth Zero Carbon

- 6 The project supports Zero Carbon, and a Climate Emergency Impact Assessment has been carried out and recognises the project supports this ambition to improve energy efficiency and reduce carbon emissions within the councils housing stock. Additionally, the contractor will adopt an integrated approach to the environment and has committed to various additional social value measures to support in tackling the climate emergency.
- 7 This scheme supports Health & Wellbeing through its benefits to residents of an improved living environment, increased resident wellbeing and reduced heating costs and fuel poverty.
- 8 This scheme supports Inclusive Growth through the social value benefits the scheme will deliver and the contractor has submitted a Social Value Proposal as part of their bid. The Council will work with Sayes to maximise and achieve this to promote Inclusive Growth in the city.

What consultation and engagement has taken place?

Wards affected: Beeston & Holbeck and Burmantofts & Richmond Hill

Have ward members been consulted? Yes No

- 9 Resident communications during the works will include written, face to face and telephone mechanisms to ensure maximum outreach across the project's delivery. A Technical Officer is allocated to the project to manage and address any resident queries alongside other onsite activity.
- 10 There are 35 leaseholders across the scheme and consultation will be carried out as required under the Commonhold and Leasehold Reform Act 2002. Dispensation will need to be sought as a result of only receiving one qualifying tender bid.
- 11 Initial consultation has been undertaken with ward councillors for Beeston & Holbeck and Burmantofts & Richmond Hill and further detailed consultation will occur throughout the project's planned delivery. The Executive member for Communities, Environment and Housing has also been consulted on this project and is supportive.

What are the resource implications?

- 12 Fifteen contractors were invited to submit a tender from the Fusion21 Heating and Renewables Framework, Lot 4 Commercial Heating Install, ten of the contractors had an expressed an interest in the works. Due to a variety of reasons, including lack of resources, the only bid was received from Sayes Service Limited
- 13 This tender from the quality submission was evaluated by an evaluation panel of 3 officers from within the Strategy and Investment team however their quality submission was scored highly, with a score of 797 points out of 1000 points. A benchmarking operation was also carried out utilising pricing submitted from another contractor who is currently delivering similar works within Leeds. The tendered price was considered by the Commercial QS Team in Strategy and Investment and the tender was deemed to be complete, viable and compliant, full details are contained in the confidential Appendix 1 Tender Evaluation Report
- 14 The value of the construction contract is £2,569,012.10. This is in line with the estimated value at Authority to Procure stage of £2.8m. The commercial team have confirmed the contract value represents the best value for money for the proposed contract.
- 15 The project will be funded by £1.4m external funding from the Heat Network Efficiency Scheme (HNES) and match funding of £1.4m from the Housing Revenue Account.
- 16 The contract will be managed by the Housing Strategy and Investment team and by using a contract management plan in line with Contracts Procedure Rule 3.1.17.

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

- 17 The key risks for this scheme are the following:
 - a) Health and Safety of residents, staff, it's contractors and the buildings are the Councils priority. In undertaking this project, site visits or activity where entry to a resident's property is required, will be carried out in line with site-specific risk assessments.
 - b) Timescales to meet construction delivery: The requirement of the Department for Energy Security and Net Zero is to complete the HNES funded element of works by the end of March 2024. HNES have agreed that Leeds can frontload its grant drawdown to enable this. The contract is proposed to be delivered by November 2024 and this will be regularly monitored to ensure works are completed on time. Progress against plan will be reviewed regularly and any issues escalated to keep activity on track.
 - c) Supply chain: due to nationwide supply chain difficulties for building materials there is a risk that this may cause delays in the construction or that construction may take longer than anticipated. This will be regularly reviewed with the contractor and mitigating action put in place where deemed appropriate.
 - d) Over budget: the risk of the project exceeding the allocated budget is being managed by robust costings that consider the current construction market conditions. The contract will be continuously managed and monitored by Strategy and Investments project managers and QS team.
 - e) Dispensation: there is a risk that the Council isn't granted dispensation, this could lead to leaseholder contributions not being maximised for this scheme. To mitigate this, a cross team approach will be used to ensure the best possible outcome is achieved.

What are the legal implications?

- 18 This procurement, and the original procurement of the Fusion21 framework, have been undertaken in compliance with the Public Contract Regulations 2015 and the Council's Contracts Procedure Rules. The tender submission has been evaluated in accordance with the evaluation criteria set out in the tender documents. Following the tender evaluation, the commercial team have concluded that the submission from Sayes represents value for money.
- 19 In making the final decision, the decision maker should be satisfied that this contract represents best value for the Council.
- 20 This report is a Significant Operational Decision as a direct consequence of the Key Decision taken on 6th October 2023 ref D56805 that approved the procurement strategy and authority to spend.

Options, timescales and measuring success

What other options were considered?

- 21 Do Nothing. Discounted as the scope of works is essential including Health and Safety and to meet Decency Standards.
- 22 The authority to procure decision explored the options for completing the improvement works through the Internal Service Provider and this option was discounted as they did not have the capacity to complete the works due to timescales associated with external funding requirements, this was confirmed on 20th September 2023 by the Commercial Operational Service Manager of Leeds Building Services.
- 23 The Council to carry out its own procurement via a restricted above threshold tender was discounted due to the ability to carry this out within the required funding timescales.

How will success be measured?

- 24 This project has a benefits plan which is reviewed regularly at key stages.
- 25 All properties will have a new EPC rating that will measure the success of the replacement HIU works.
- 26 Various measurements will be taken from the housing STAR survey of every two years and through the new PAS 2035 standards that relates to surveying energy efficiency and its improvement before and after works through SAP ratings, carbon emissions and resident questionnaires.

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

- 27 Contract Award is planned for early February 2024, followed by a 3-week mobilisation period and work commencing on site late February 2024. The contract duration is 10 months completing on site in November 2024.

Appendices

- Appendix 1 – Tender Analysis Report (Confidential)

Background papers

[D56805](#) Authority to Procure Key Decision