

Authority to Spend and Procure a contract for the installation of new Heating Interface Units to Three Multi Storey blocks.

Date: 16th May 2024

Report of: Head of Property Management

Report to: Director of Communities, Housing & Environment

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief Summary

- Housing Leeds are requesting authority to procure a contract to remove existing aging Heat Interface Units (HIU) and hot water storage vessels and replace them with twin-plate HIU's. The works will be carried out to 3 individual 2-storey blocks located on 1 site. The replacements will be carried out in 297 flats at Brignall Court, Gargrave Court, Scargill Grange.
- This report provides information on the scheme, seeks approval to progress it and approval of the proposed procurement strategy in line with the Rule 3.1.7 of the Council's Contracts Procedure Rules (CPR) and Public Contracts Regulations (PCR) 2015.
- It should be noted that an external grant funding contribution (£826,389) has been secured as a contribution towards this scheme from the Heat Network Efficiency Scheme (HNES).
- This is a new procurement and the scheme of works proposed are scheduled to commence in November 2024, with completion scheduled for 30th June 2025.

Recommendations

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

- a) In accordance with CPR 3.1.7, approve undertaking a procurement exercise to appoint a contractor via a mini-competition procedure using Lot 6 of the Heating, Renewables, and Electrical from the Fusion 21 Framework. The scheme of works is proposed to start in November 2024 with view to be completed by 30th June 2025. The estimated construction value of the works is £1.68 million.

- b) Grant authority to spend £1.68 million to deliver these works.
- c) Approve the injection of £826,400 of grant funding from the HNES to the Housing Revenue Account to aid the procurement of a contractor to undertake the works outlined in this report.
- d) Note that approval to evaluate tenders using the quality-price separated approach in accordance with CPR 15.2(a) will be sought as required under CPR 15.1.

What is this report about?

- 1 This report seeks approval from the Director of Communities, Housing & Environment to undertake a competitive procurement exercise in order to appoint a contractor to undertake the removal of old HIUs and storage heating and replace them with a new twin plate HIUs plus any associated works in three, multi storey blocks at Ebor Gardens.
- 2 The Council do not have the capacity through any Internal Service Providers (ISPs) to undertake this work due to the timescales required, and with the potential to lose access to the external funding, procuring an external contractor outweighs the benefit of internal delivery. Therefore, an external contractor is required to undertake this work.
- 3 It is proposed to replace inefficient HIU and hot water storage vessels with twin-plate HIU's in Ebor Gardens.
- 4 The estimated cost of works for this scheme is £1.68 million pounds. The Council has been successful in obtaining a £826,400 (49%) grant from the HNES with Council funding from the HRA of £849,600 (51%). This report seeks authority to spend £1.68m and an approval to inject the HNES grant funding into the Housing Revenue Account. It is proposed that the scheme of works will start in November 2024 and complete by 30th June 2025.
- 5 It is proposed that the tender evaluation methodology will be based on the quality/price separated approach. Contractors will be required to meet minimum quality thresholds in their quality submissions. Thereafter a contract will be awarded to the contractor who has submitted the lowest price, subject to viability and affordability of the priced submissions. This ensures contractors are providing minimum quality standards that Housing Leeds expects whilst achieving the best value for money for the Council.
- 6 It is proposed that a mini-competition will be carried out via Lot 6 of the Heating, Renewables, and Electrical of the Fusion 21 Framework. An expression of interest has been carried out via Lot 6 of this framework and 10 contractors registered their interest.

What impact will this proposal have?

- 7 The procurement will enable the Council to undertake a programme of works to replace energy inefficient and obsolete HIUs and Storage Heaters from each flat within the 2-multi-storey blocks and replace them with twin pack HIUs.
- 8 As part of the contract, there will be a requirement to achieve additional social value benefits. Social value success will be measured and monitored by the Social Value Engine. The Contractor will make social value commitments during the tender stage which will be recorded in the social value engine. During the life of the contract, adherence to the contractor's social value commitments will be monitored by the contract manager, to ensure that social value is delivered.
- 9 Through the repair and energy efficiency works, the scheme is planned to improve energy efficiency for residents, making a positive impact on heating costs.
- 10 An Equality, Diversity, Cohesion and Integration (EDCI) impact assessment has been undertaken for this scheme and is attached as Appendix 1. No negative impacts are expected in relation to the planned works.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 11 Replacement of the HIU will take up less room, be more energy efficient and will allow for an easier replacement of parts. It will help reduce the cost of the energy bills and usage thus helping with tenant's health and Wellbeing and towards Leeds City Council Net Zero Carbon.
- 12 The procurement process will include evaluation on Social Value against specific Themes, Outcomes and Measures (TOMs) which will promote health and wellbeing, inclusive growth and zero carbon. TOMs will be monitored throughout the contract to ensure delivery.

What consultation and engagement has taken place?

Wards affected: Burmantofts and Richmond Hill

Have ward members been consulted?

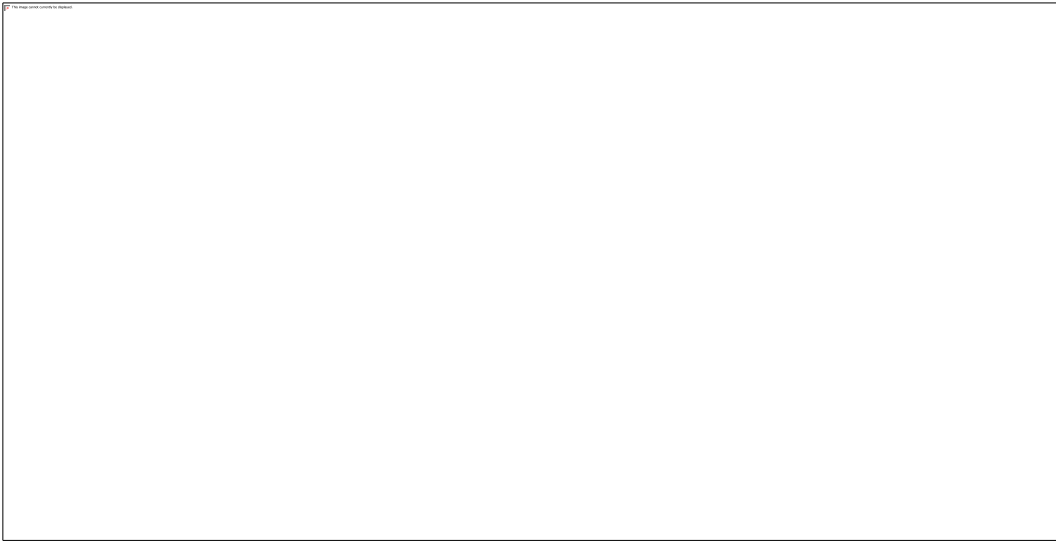
Yes

No

- 13 This report has been developed by the Strategy and Investment project team who have been involved throughout the process. Advice has been secured from Procurement and Commercial Services (PACS) and PACS Legal who have reviewed the proposals and support the planned decisions.
- 14 Some properties within the property list provided by Housing Leeds may contain leaseholders so therefore consultation has been carried out under Section 20 of the Landlord and Tenant Act 1985. The Notice of Intent was issued on 22nd April 2024 to provide notice and invite leaseholders to comment on the intended agreement/works, the consultation period will end on the 21st May 2024.

What are the resource implications?

- 15 External funding has been sought and approved for this scheme of £826,400 from the HNES. A stipulation of the funding is that it will be spent by March 2025. The Council intend to achieve this, and for the duration of the contract, the works will be funding via the HRA.
- 16 The procurement will be carried out in line with the provisions of the Council's CPRs and seeks approval to a procurement strategy in line with CPR 3.1.7 to engage with the external market to undertake a procurement in competition to identify best value. The evaluation approach to be implemented is the quality/price separated methodology in line with CPR 15.2, this means contractors will be required to meet the prescribed minimum threshold on the quality submission. Following this assessment those who pass the set threshold will be evaluated on a price only basis.
- 17 The contract will be managed by the Housing Strategy and Investment team and a contract management plan will be developed in line with CPR 3.1.17.
- 18 The capital funding and cash flow table is below:



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

- 19 Due diligence checks of the preferred contractor will be done to ascertain their financial position prior to contract award and throughout the contract period. This will ensure we are contracting with a financially stable organisation which will limit the risk of the successful contractor falling into financial trouble which could affect the delivery of the project.
- 20 The contract, including contractor performance, will be effectively managed and monitored to ensure the works are delivered in accordance with the contract specification and in a timely manner. Social value benefits will be monitored by the Social Value team in collaboration with the Strategy and Investment team.
- 21 There is an ongoing risk of potential labour and materials shortages. The team will continue to monitor this and work with a successful contractor to mitigate this risk where possible.
- 22 Due to the current market conditions, there is a risk of small number of tender returns. The procurement team will continuously engage with contractors before and during the tender, ensuring they are fully supported in the process to maximise the number of bids received.
- 23 The appointed contractor will have specialist skill, technical expertise and knowledge that will be assessed and evaluated using quality criteria during the procurement. This will ensure all works are completed with regards to health and safety and environmental considerations.

What are the legal implications?

- 24 The decision set out in this report is a Key Decision and is subject to call-in. There are no grounds for keeping the contents of this report confidential under the Access to Information Rules. The List of Forthcoming Key Decisions was published on the 16th April 2024 and will expire on 15th May 2024.
- 25 There will be separate report on the tender evaluation report following the procurement activity and this will be the Significant Operational Decision to award the contract, detailing the contractor selected and the fixed price cost for the works.
- 26 Due regard to the requirements of CPR 3.1.4 was given, however as previously stated in this report, there is no ISP who can carry out the scheme of works required, due to resources and funding requirements.

- 27 With reference to CPR 3.1.6, it is acknowledged that the YORhub suite of frameworks did not provide an appropriate solution for this particular works contract. The proposed provider, Fusion 21 Members Consortium, are a pre-approved third-party framework for the purposes of CPR 12.3.2 and as such, CPR 12.1 and CPR 12.2 can be disregarded in this instance.
- 28 Officers from PACS Legal will be consulted throughout this procurement exercise and as such all requirements as prescribed by the Council's CPR and the PCR 2015 will be adhered to. It is noted however, that the estimated value of the scheme of works, is below the UK Public Procurement threshold for works and as such is deemed a below threshold procurement for the purposes of the PCR 2015.
- 29 In their consideration for approval, the Director of Communities, Housing & Environment should note the above comments outlining the reasons why the preferred route to market represents best value for money for the Council.

Options, timescales and measuring success.

What other options were considered?

- 30 Discussions with Procurement Officers within PACS, the following procurement options have been considered in line with the Council's CPRs:
- **Do nothing** – This is not an option as Housing Leeds having been successful in securing the HNES grant to undertake the replacement of the HIUs in the three, multi-storey blocks. This will make the flats more energy efficient and free up space with the removal of the old HIU and water storage units.
 - **Leeds Building Service (LBS) to undertake the works** – This was considered as an option; the Head of LBS has been consulted and has declined on this occasion due to lack of resources available and the external funding requirements associated with this scheme.
 - **Conduct a 2-stage restricted tender** - This is a valid option which Housing Leeds could take. It requires Housing Leeds to undertake a pre-qualification questionnaire (known as a PAS91 in construction) to ascertain the suitability of the interested contractors to inform Housing Leeds when deciding on whether to further engage with the contractor or not. The shortlisted contractors would then be invited to tender. Due to the time involved in undertaking a 2-stage procurement exercise, this would impact on timescales and Housing Leeds could risk the loss of the HNES grant as the work would not be started within the necessary timescales. There are also external frameworks available who have already conducted the PAS91 process and have shortlisted suitable contractors which meet the requirements of this contract. Choosing the framework option would reduce the overall time to undertake this procurement exercise by around 2-3 months and would ensure that the HNES grant is utilised.
 - **Call off an external framework (Recommended)** - Fusion21 and Efficiency North both have compliant agreements in place which the Council is entitled to use. The Efficiency North framework was discounted due to the shorter list of contractors on this framework, compared to Fusion21. On this occasion, it is proposed to use the Fusion21 framework as that option will provide the Council with the best value for money approach as will save time and resources. An expression of interest has been carried out via this framework with 10 interested contractors, which further supports this option.
- 31 On this occasion it is proposed to undertake a mini competition via the Fusion21 framework.

How will success be measured?

- 32 Success will be measured as part of the contract management process. Through achievement of the installation of the HIUs as per the programme outlined at contract award.
- 33 Social value success will be measured and monitored by the Social Value Engine. The Contractor will make social value commitments during the tender stage which will be recorded in the Social Value Engine. During the life of the contract, adherence to the contractor's social value commitments will be monitored by the contract manager, to ensure that social value is delivered.

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

- 34 The scheme is anticipated to commence in November 2024 and to finish 30th June 2025.
- 35 The proposed Timetable:

Tender Published	June 2024
Tender In	July 2024
Tender Evaluation	July/August 2024
Leaseholder Consultation	August/September 2024
Contract Award	October 2024
Contract Commencement	November 2024
Contract Completion	30 th June 2025

Appendices

- EDCI

Background papers

- N/A