

Subject:	Procurement of contract for Heating and Hot Water Servicing, Maintenance, Repair and Installation in Council Housing		
Date of Meeting:	10 February 2022		
Report of:	Executive Director Housing Neighbourhoods and Communities		
Contact Officer:	Name:	Miles Davidson	Tel: 01273 293150
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The existing contract with K&T Heating Services Ltd for the supply, installation, maintenance, and servicing of gas boilers is due to expire at the end of March 2023. The current contract is limited to gas heating and hot water systems, and communal solar thermal installations.
- 1.2 The report seeks delegated authority to procure and award a new contract for the existing services above in addition to the installation, servicing and maintenance of low carbon heating and hot water services that support Housing's contribution to the city-wide Carbon Neutral 2030 objective.

2. RECOMMENDATIONS:

- 2.1 That the Committee delegate authority to the Executive Director for Housing Neighbourhoods & Communities to procure and award a contract for the services described below for a term of 5 years with the option to extend for a period of up to two further periods of two years following the initial five year term (5+2+2), subject to satisfactory performance by the contractor and further approval described below.
- 2.2 That the Committee note that a report will be presented to Housing Committee updating on the performance of the contract, including its contribution towards our Carbon Neutral ambition, prior to the end of the initial 5 years, seeking authority to extend the contract beyond the initial term.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 The existing contract with K&T Heating Services Ltd for the supply, installation, maintenance, and servicing of gas boilers is due to expire at the end of March 2023. The current contract is limited to gas heating and hot water systems, and communal solar thermal installations.

3.2 The current contract covers the following current services that will need to be provided from 2023 onwards.

- 10,000 domestic properties requiring annual Landlords Gas Safety Records (LGSR)
- Upgrade/replacement programme for domestic properties (technology to be mixed/confirmed)
- 32 commercial gas plant rooms requiring annual Landlords Gas Safety Records (LGSR)
- Upgrade/replacement programme for commercial gas plant rooms (technology to be mixed/confirmed)
- 1213 properties served via communal boiler internal services i.e. Heat Interface Units, distribution networks etc. requiring maintenance and replacement/upgrade
- Repair and maintenance of all the above with 24/7 call out in line with Government Right to Repair

3.3 There are a number of new considerations that will inform how heating and hot water services are delivered in the future.

- City wide Carbon Neutral 2030 ambition
- No new gas connections from 2025 (tbc) and the possible ban on sale of gas boilers in the 2030's (although our Carbon Neutral ambition would lead to action before these national target dates)
- The need to provide low/zero carbon alternative solutions for heat and hot water delivery aligned with pending HRA Energy Plans
- The opportunity to provide more efficient and affordable forms of heating and hot water provision for properties currently off gas (i.e. Air Source Heat Pumps)
- The need for technical specifications to be structured in such a way as to allow flexibility for the Council and residents to benefit from new technology development and innovation across the term of the contract

3.4 Officers have reviewed options for the future delivery of the above services, including early discussions with resident groups, and believe that the best outcomes would be achieved through procuring one contract for the provision of all heating and hot water services for the reasons below.

- Based on previous experience with multiple contractors providing gas servicing and installation, prior to the current contract, using one contractor has provided cost savings over previous contracts
- Based on previous experience with multiple contractors providing gas servicing and installation and the current contract we have seen improved customer service through having one contractor responsible for all the assets. This will become more vital across a range of technologies/heating sources i.e. one contractor responsible for servicing and maintaining current gas assets and for surveying, installing and maintaining new low carbon technologies as alternatives. There is potential for greater continuity of project delivery and compliance across different work streams. For example, decommissioning of a gas boiler before installation of an air source heat pump can be managed by one contractor reducing the impact on residents through coordination of the work.

- The potential, based on current experience for one contractor liaising with residents creating a 'one stop shop' for works and communications creating robust practices to ensure 'the end product' meets residents needs and expectations
- The potential for one contractor to work alongside the Council to create robust processes to identify fuel poverty and any other potential tenancy issues
- The potential for one contractor providing all services to provide better buying power increasing rebates and lowering material and capital costs and negotiating better extended warranties. This is backed up by our experience with the current contract where warranty periods have increased from 5 to 10 years and the cost of an average boiler is around 40% below market rates
- The wider scope of a new heating and hot water contract will allow for greater opportunities to access government funding for low carbon heating in the future

3.5 A market engagement event took place on the 18 November at which the Council tested the market's appetite for the Council's proposed Heating and Hot Water Servicing, Maintenance, Repair and Installation requirement as described within this report. The event also gave the Council the opportunity to test the market's view on the proposed route to market for which there was general agreement from suppliers. We received feedback from suppliers on the possible social value and sustainability outcomes that could be achieved through the contract, this will be considered through and inform the procurement process.

3.6 The recommendations and details contained within this report were considered at Procurement Advisory Board on 29 November 2021. The Board supported the recommendations and approach outlined but requested a clearer link between the future Committee approval to extend the contract and the performance of the contract specifically in relation to its role in delivering our Carbon Neutral ambition. There was also discussion regarding the need to ensure that the Council's local ambition is more clearly reflected in the report regarding the future installation of gas boilers and when these will be phased out. We recognise that our ambitions are in advance of national targets for gas boiler phasing out and these will be reflected through future Energy Plans, the delivery of which will be supported by this proposed contract.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

4.1 Servicing, maintenance, repairs and installation of gas fired and renewable heating and hot waters systems is a highly technical and specialist area of work for which we do not have the skills and experience, beyond the contract management function, to deliver in-house.

4.2 The in-house service does not hold the required accreditations to carry out and commission much of the work, such as; Gas Safe, Microgeneration Certification Scheme, PAS2035.

4.3 Repairs and maintenance of these systems requires specialist supply chains that the Council does not have access to and may not have the resource and buying power of a specialist contractor. This presents significant risks to the ability to

complete repairs quickly and therefore provide a good value for money service to residents.

- 4.4 The current contract model has provided value for money and has delivered consistently regarding performance across all elements of the contract.
- 4.5 When it was agreed that the Housing Repairs and Maintenance service would be 'brought in-house' at the end of the contract with Mears Limited, it was noted at that time that some specialist works would continue to be delivered by specialist contractors, such as the case here.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The proposed contract scope and services have been discussed with tenants and leaseholders through the Home Service Improvement group and as part of the Carbon Neutral focused City-Wide Conference in September. Residents have been engaged in discussion about future delivery of heating and hot water services and how these will need to align to the city-wide Carbon Neutral 2030 ambition.
- 5.2 Further consultation with leaseholders will take place as required through the procurement process in 2022, if approval to proceed is given.
- 5.3 Engagement with residents will continue with the development and delivery of the HRA Energy Plan over the coming years, including the delivery of these services. Residents are extensively consulted where works such as communal boiler replacement schemes are planned, this engagement will take on even greater significance with the introduction of new technologies and systems.

6. CONCLUSION

- 6.1 We have a statutory responsibility to service and maintain existing gas fired systems, including the completion of annual Landlord Gas Safety Records. The provision of reliable heating and hot water services is a key element of our landlord duties to all residents, in particular vulnerable residents whose health and wellbeing is at risk if living in a cold home.
- 6.2 The proposed contract scope allows us to continue to deliver the above services whilst working alongside the supplier and residents to develop and deliver heating and hot water services that align with our Carbon Neutral ambitions.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The existing contract with K&T Heating Services Ltd has the following budget resources allocated within the HRA; capital funding of £2.240m (covering supply and installation) and revenue funding of £1.440m (covering maintenance and servicing). Average spend against Seaside Homes of approximately £0.145m per annum is charged against the relevant General Fund budget.

- 7.2 The new contract value is hard to define precisely but our best estimate is that it will be similar levels to the current K&T contract but with the spend across different technologies moving away from gas over time. Any change in spending levels will be reflected in the budget setting for 2023/24 onwards.

Finance Officer Consulted: Michael Bentley

Date: 05/01/2022

Legal Implications:

- 7.3 The council's Contract Standing Orders require that authority to enter a contract valued at £500,000 or more be obtained from the relevant service committee prior to commencing any procurement activity. The proposed contract will assist the council in discharging its statutory obligations to keep in repair and proper working order any installations in dwelling-houses for space heating and hot water.

Lawyer Consulted:

Name Liz Woodley

Date: 16/12/21

Equalities Implications:

- 7.3 An Equalities Impact Assessment has been drafted to guide the procurement and delivery of this new contract (Appendix 1). Project specific Equalities Impact Assessments are drawn up for all communal modernisation and installation projects. The recommendations from these form part of project planning with the contractor both in terms of resident engagement, planning and delivery of works.

Sustainability Implications:

- 7.4 This new contract will significantly support Housing's contribution to the city being Carbon Neutral by 2030, this will be established through the scope of the specification used through procurement and impacts evaluated through the tenders.
- 7.5 Bidders will also be expected to identify additional sustainability benefits through the delivery of the contract including identification of improvements to the thermal efficiency of our buildings, advice and support to residents to effectively use heating systems that could reduce bills and carbon emissions. Bidders will also be assessed on their own operations carbon impacts and plans to reduce these, reuse and recycling of materials to support our Circular Economy ambition.
- 7.6 Sustainability outcomes will form part of the evaluation of bids for the contract, forming 10% of the total quality score. This will include how contractors intend to reduce their own carbon emissions and what support they can provide to the council in its ambition to be carbon neutral by 2030. Sustainability outcomes will be incorporated into the contract as a Key Performance Indicator.
- 7.7 Social value and community wealth benefits are a priority and therefore require significant consideration when being incorporated into the tender requirements. These will form part of the evaluation of bids for the contract in line with the council's Social Value Framework and will form at least 10% of the total quality score.

- 7.8 These could include seeking the use of apprenticeships for local residents through the contract or encouraging the use of local labour and/or supply chains. The expectation is that the contract as a minimum will support 3-5 plumbing apprenticeships within the councils Repairs and Maintenance service each year by providing the final year 'gas' element of the apprenticeship. There will also be an expectation that the contract supports specific apprenticeships linked to low and zero carbon heating and hot water services to support the need to develop the local supply chain and skills base.
- 7.9 It is likely that the contractor will continue to employ local staff as part of this contract, creating significant social benefit - as would keeping as much of the supply chain local as is reasonably practical.
- 7.10 The Council would encourage and work with the contractor who is selected to deliver the contract to employ a workforce who is representative of Brighton and Hove's diverse community.
- 7.11 During the tender stage of the procurement process, potential bidders will be evaluated on how they will incorporate the Council's social value and community wealth objectives into delivering this contract. They will also be asked to demonstrate how they have delivered social value and community wealth benefits on previous projects to demonstrate their ability to deliver the commitments to the Council.
- 7.12 Furthermore, as part of the tender process, potential bidders will be given the opportunity to propose how they will demonstrate additional innovation in terms of contributing to social value and community wealth.

Brexit Implications:

- 7.13 There are no known specific direct impacts from Brexit.

8. Any Other Significant Implications:

Crime & Disorder Implications:

- 8.1 None identified

Risk and Opportunity Management Implications:

- 8.2 The main risk associated with the procurement activity is that we are unable to mobilise a new contract within the time set aside for the activity however based on the current timeline sufficient time is available. If there are unexpected delays, we would review options of a waiver for a short-term extension to the current contract to maintain servicing and repair of existing heating and hot water services.
- 8.3 Risks associated with the delivery of the contract post procurement will be tested through the procurement exercise with contractors' experience and management of risk being evaluated as part of the tender process.
- 8.4 We are unable to predict possible savings due to the different nature of services proposed in the new contract from 2023 onwards. Currently the cost of installing an individual Air Source Heat Pump into a home is approximately three times that of a gas boiler (including pipework and radiators), although we expect the price to reduce as the market develops.

There are a number of possible additional benefits we would look to explore through the procurement of a new contract;

- Text ahead for servicing and repairs. Possibly through the new Housing Management System
- Live engineer tracking for resident portal
- Book a repair or service appointment through resident portal
- Stronger commitment and ambition of contractor on reducing CO2 of own activities, in particular fleet

Public Health Implications:

- 8.5 Through improvements to homes energy efficiency and heating and hot water provision there is the potential to address cold homes and fuel poverty in vulnerable groups. This can contribute to the prevention of ill health and excess winter deaths, reduce health and social inequalities, and improve wellbeing and quality of life. Supporting and enabling residents to pay less for their energy can contribute to tackling fuel poverty and cold homes, this will play a key part of low carbon programmes and projects in the future, transitioning away from natural gas based on current prices needs to be carefully managed to not inadvertently increase people's energy bills.

Corporate / Citywide Implications:

- 8.6 Housings plans to reduce carbon in both its own housing stock and across private sector housing will be a significant contributor to the city's objective to be Carbon Neutral by 2030 and to become a 'more sustainable city'.

SUPPORTING DOCUMENTATION

Appendices:

1. Equalities Impact Assessment