

Agenda Item 25.

TITLE	New Contract for Heating Services
FOR CONSIDERATION BY	The Executive on Thursday, 29 July 2021
WARD	None specific
LEAD OFFICER	Place and Growth - Steve Moore
LEAD MEMBER	Executive Member for Finance and Housing - John Kaiser

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

The purpose of this report is to seek approval of the procurement business case (attached) for a new contract to provide the range of heating services required for the Council's housing stock in compliance with our statutory duties.

RECOMMENDATION

That the Executive approves the business case to enable the Housing Service to procure a suitably qualified, experienced, and competent contractor for the delivery of heating services required for the Council's housing stock.

EXECUTIVE SUMMARY

The Council is required, as part of our statutory duties to maintain our housing stock to appoint a suitably qualified heating services contractor. As the total value of the contract will be in excess of £500,000 the business case requires the approval of the Executive. A new contract is expected to be awarded and mobilised in advance of autumn 2021.

Procurement Business Case

BACKGROUND

The Council has statutory responsibilities for the maintenance of its housing stock of 2768 properties. Most properties have traditional gas central heating or electrical heating installed. As a registered social landlord, we have a legal duty to inspect the gas installations in our housing stock on an annual basis and ensure that gas and electrical installations are regularly serviced, maintained, and repaired.

Currently we have a small estate of low carbon heating assets installed in some properties and inspection, maintenance and repair of these assets is also included in scope of the contract. We feel our existing heating contractor does not offer any added value to our low carbon asset and because we wish to transition from a largely gas based to a largely low carbon heating infrastructure, we will not extend our existing contract, preferring to identify a new contractor that we feel can better assist with our low carbon ambitions. Our estate of renewable heating assets is anticipated to increase during the term of the contract as we acquire more new build properties, and where practicable and affordable, we replace traditional heating systems with renewables.

A small number of the Housing stock already have solar panels, batteries, heat recovery systems and air source heat pumps and we are undertaking pilot studies to help identify the cost of installing these systems but just as importantly their ongoing repair and servicing requirements. This will help Wokingham Borough Council meets its climate emergency agenda.

BUSINESS CASE

Housing services need to appoint a suitably qualified, experienced and competent contractor for the range of heating services required to help manage and maintain our housing stock. There are health and safety risks associated with the safety of gas installations, and as a registered social landlord we must ensure the council meets its legal obligations under the 'Landlord Gas Safety Record (LGSR)'. The scope of services includes annual LGSR certifications, gas and electrical servicing, maintenance and repairs, along with replacement of heating systems that are beyond economical repair. The scope also includes maintenance and repair of our current estate of renewable heating assets installed in our housing stock, e.g., Air Source Heat Pumps (ASHP's), Solar PV and Mechanical Ventilation with Heat Recovery (MVHR's).

We recommended the new contract is procured via an established public procurement framework provider, due to their subject matter knowledge and expertise. Using this route of procurement also significantly shortens procurement timescales. A new contract will be awarded before autumn 2021 in readiness for the peak winter heating season.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £20m over the next three years and all Executive decisions should be made in this context.

Year	How much will it Cost	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Finance Year 2021/22 circa £500k	Yes, there is sufficient funding	Housing Revenue Account - Revenue and Capital expenditure
Next Financial Year (Year 2)	circa £500k	Yes, there is sufficient funding.	Housing Revenue Account - Revenue and Capital expenditure
Following Financial Year (Year 3)	circa £500k	Yes, there is sufficient funding	Housing Revenue Account - Revenue and Capital expenditure
Following Financial Year (Year 4)	circa £500k	Yes, there is sufficient funding	Housing Revenue Account - Revenue and Capital expenditure.
Following Financial Year (Year 5)	circa £500k	Yes, there is sufficient funding	Housing Revenue Account - Revenue and Capital expenditure

Other Financial Information

The Contract will assist the Council in delivering its statutory responsibilities as a landlord; breach of these responsibilities can lead to unlimited fines and considerable reputational damage to the Council which could affect its good standing generally.

The Council needs to achieve best value for money and protect the investment in its housing stock. If the Council does not maintain its housing assets adequately, the rental income received may potentially diminish.

Stakeholder Considerations and Consultation

Quarterly procurement report submitted to the Tenant and Landlord Improvement Panel (TLIP) provides a summary of our main contracts for maintaining our housing stock, including the heating services contract. In addition, the requirement also forms part of the monthly report to the involved tenant's Repairs and Maintenance Group (RMG).

Public Sector Equality Duty

The services of the contractor will be procured via the contract framework set up by South East Consortium (SEC), a not for profit organisation. The SEC complies with the government's agenda to achieve efficiencies through the adoption of good practice in the procurement of goods and services, including compliance with the equality act.

Climate Emergency – *This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030*

Housing Services are committed to identifying and working with contractors that share the Council's vision and values. During the life of the contract, the contractor will be expected to work collaboratively with us to deliver continuous improvements that will

assist with realising the Councils objective of achieving a Carbon Neutral Wokingham Borough by 2030.

List of Background Papers

Procurement business case – heating services.

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