



Report to Policy Committee

Author/Lead Officer of Report: Fiona Orr/Dean Butterworth

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Report of: *Ajman Ali, Executive Director, Neighbourhoods*

Report to: *Housing Committee*

Date of Decision: *2nd November 2023*

Subject: *Community Heating Meter Contract*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
If YES, what EIA reference number has it been given? Original EIA still stands – at this stage no impact to service users.				
Has appropriate consultation taken place?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Has a Climate Impact Assessment (CIA) been undertaken?	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
Does the report contain confidential or exempt information?	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>

Purpose of Report:

The purpose of this report is to seek approval to re-commission a services contract for the management and administration of meters in properties on the community heating scheme.

The current contract will expire in March 2024 and there is no express provision to extend the term.

Heat Meters are in all properties across Sheffield which are on the Community Heating Network.

Recommendations:

To approve the commission of a new heat metering contract with a provider to commence no later than March 2024 for a period of 4 years with an estimated value of £1,600,000 as set out in this report.

Background Papers:

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Helen Wilsdon
		Legal: Rita Collins
		Equalities & Consultation: Louise Nunn
		Climate: Nathan Robinson
	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	EMT member who approved submission:	<i>Ajman Ali</i>
3	Committee Chair consulted:	<i>Douglas Johnson</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Fiona Orr/Dean Butterworth</i>	Job Title: <i>Service Manager/Head of Service</i>
	Date: <i>19 October 2023</i>	

1. PROPOSAL

Background

- 1.1 The “**Community Heating**” scheme operated by Sheffield City Council, supplies heating and hot water to almost 6,000 homes. The system provides heat and hot water to groups of properties from central boilers rather than using individual property boilers.
- 1.2 As part of this, the Council have rolled out heat meters to community heating. Heat meters have been successfully in properties across the city for nearly 10 years, following the role of heat meters, customers have been able to control their own consumption and spend for their heat and hot water within their properties (**Heat Metering**).
- 1.3 Running costs relating to Community Heating are paid by the Council and charged to a separate account within the overall Housing Revenue Account (HRA). Any annual savings or overspends on this account are charged to a separate accumulated Community Heating reserve.

The current annual cost under the Contract which includes the management and administration of heat meters is in the region of £280k to 320k per annum. For the purposes of this report we have assumed a spend of 400k per annum, multiplied over 4 years duration to bring the total estimated spend to £1,600,000.

Current Position

- 1.4 The existing contract for the ongoing management and administration of heat meters (the **Contract**) was procured following a further competition pursuant to the Yorkshire Purchasing Organisation (YPO) Framework for Utilities Metering and Data Collection Services (642) (the **Framework**) and is due to expire on the 2nd March 2024. There is no further option to extend this Contract. The Heat Metering services will now need to be re-tendered pursuant to the Public Contract Regulations 2015.
- 1.5 The Council have invested heavily in Heat Metering, and we are not proposing to make significant changes or carry out adaptations to the equipment that was installed in customers’ homes as part of the 2014-2017 installation programme. Therefore, any new contractual arrangements for the management and administration of heat meters will need to be compatible with the existing equipment and the associated communication infrastructure already in place. It is also essential there is a swift and seamless transition from the old to the new contact, as it is of paramount importance there is no risk to the district heating provision for our customers. Heat Metering and the necessary infrastructure to operate it, is quite complex involving constantly evolving technology and specialist expertise. It is considered to be a relatively unique and niche

service sector with not a huge number of service providers currently.

Proposed way forward

- 1.6 It is proposed that the Council commission a new contract for Heat Metering services with a provider for a period of up to 4 years with a break clause at years 2 and 3 to allow early termination of the contract. A contract of this length will allow us to:
 - a. have an appropriate degree of longevity / stability and
 - b. the necessary degree of flexibility in what is a relatively rapidly evolving service sector

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 Since the introduction of meters in 2014, we have been able to offer a far greater level of flexibility to customers by allowing them to manage their own usage within their properties (as opposed to fixed rates) as we move towards heat networks becoming regulated, heat metering and transparency of costs to customers will play a significant part of the new regulations.
- 2.2 This decision will specifically allow us to implement new contractual arrangements that will enable this to continue and ensure we maintain high quality/efficient services for our district customers moving forward.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 The council is not required to consult on this proposal.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality Implications

- 4.1.1 The current EIA which is in place against the contract still stands until a new contract is awarded. This process will have no implications on service users.

4.2 Financial and Commercial Implications

- 4.2.1 Running costs relating to District Heating are paid by the Council and charged to a separate account within the overall Housing Revenue Account (HRA). The account is run on a self-financing basis with an overall annual cost of approximately £5m being recovered by the Council from charges to customers. The annual cost for this specific contract is in the region of £380k - £400k per annum and provision has been set aside within the District Heating Account to accommodate these charges.

The procurement process must comply with the Public Contracts

Regulations 2015 (PCR) and Council Standing Orders.

Tenders will be assessed using suitable criteria to derive the most economically advantageous tender to the Council. A combination of pricing and quality will be assessed by Council officers as part of the tender evaluation process.

4.3 Legal Implications

- 4.3.1 Since the anticipated contract value will exceed the public procurement threshold, the Council are obliged to procure the services pursuant to the Public Contract Regulations 2015 which will enable the Council to meet its transparency and value for money objectives.

The proposed contract terms, including the break provisions, will need to be disclosed at the outset of the tender process and concluded on materially similar terms with the chosen provider.

4.4 Climate Implications

- 4.4.1 There are no climate implications

4.5 Other Implications

- 4.5.1 There are no other implications arising from this report

5. **ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 Do nothing – this is not an option as the Council has the ongoing requirement to maintain heat meters. The current contract is due to expire on 1st March 2024, and the Council are under a duty to procure the contract pursuant to the Public Contract Regulations 2015 and the Councils Contract Standing Orders.

Self-Deliver - this is not an option; the Council has neither the capacity or expertise to deliver these goods and services.

Extend existing contract – this is not an option as the existing contract does not have an option to extend, and the Council must re-tender the contract in accordance with the Public Contract Regulations 2015.

6. **REASONS FOR RECOMMENDATIONS**

- 6.1 After considering the nature of this contract and taking on board the essential regulatory compliance/ value for money requirements, the best option for the Council is to commission the contract using a compliant

public sector procurement procedure. This will enable the Council to continue to provide essential services to manage and maintain our heat metering services. The procurement of the contract will ensure the Council is operating in accordance with the Public Contract Regulations 2015 and achieving best value in its procurement of the services.