



Report of Head of Strategy & Investment

Report to Director of Resources and Housing

Date: 31 March 2020

Subject: Approval to appoint external consultants for specialist technical advisory services for housing high rise District Heating Clusters

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If yes, name(s) of ward(s): Armley, Little London & Woodhouse, Gipton & Harehills, Killingbeck & Seacroft	
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, access to information procedure rule number:	
Appendix number:	

Summary

1. Main issues

- As part of wider plans to improve energy efficiency and tackle fuel poverty in our housing high rise blocks, the council aims to create six new district heating clusters to provide renewable heat to up to 26 housing high rise blocks – 1485 homes.
- The project is in development, and the council requires specialist consultancy services to support its further development and delivery. This includes development of performance specifications and technical advice on tender documentation to undertake a design and build two stage procurement; as well as post contract technical advice to support the council during the design and build of the clusters themselves.
- In 2018, Ove Arup and Partners International Limited (OAPL) were appointed following a competitive procurement process using the YORconsult Framework to undertake stage 1 services for this project; this was completed successfully. As part of that tender, it was made clear in the tender invitation that subject to acceptable performance, the consultant would be engaged for stage 2 activity related to full post contract consultancy services or other technical advisory services. Following an evaluation of their stage 2 tender proposal, we are now ready to proceed with this.

- The value of this stage 2 contract for consultancy services is £372,335 and it is proposed to commence the commission from April 2020, ending 31 March 2024.
- The procurement of any contractor(s) for the design and build of the clusters will be a separate key decision.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- This specialist technical consultancy contract will support the development and delivery of high rise housing District Heating Clusters in Leeds. This will particularly contribute to supporting communities and tackling fuel poverty, improving energy performance in homes, and towards our commitment to reducing citywide carbon emissions.

3. Resource Implications

- The funding for these technical consultancy services will come from the Housing Revenue Account (HRA), and is part of the Housing Capital Refurbishment Programme.
- The costs will be spread over four years. The Housing Capital Refurbishment Programme has appropriate allocations in place, notably £50k this financial year, and £100k in 2021/2022. Authority to spend under the Programme is secured by key decision annually in March.

Recommendations

The Director of Resources and Housing is requested:

- to note that following the successful work with Ove Arup Partners International Limited during stage 1, a stage 2 full scope, pricing and fee proposal has been agreed to the satisfaction of the council; and
- to approve the appointment of Ove Arup Partners International Limited for stage 2, procured in line with the YORconsult framework, to provide pre and post contract technical consultancy services to further develop and deliver District Heating Clusters for a contract sum of £372,335.

1. Purpose of this report

- 1.1 The purpose of this report is to confirm our satisfaction with the technical consultancy services provided during the stage 1 appointment of OAPL (procured competitively through YORconsult), and to request approval to appoint OAPL for stage 2 pre and post contract technical consultancy services for the District Heating Clusters specialist project.

2. Background information

- 2.1 The council owns 118 high rise blocks across the city. These were built from the early 1960s to the mid-1970s, and Housing works to repair, maintain and improve our stock for our residents. This includes issues relating to heating and affordable warmth.

- 2.2 The District Heating Clusters project aims to benefit residents by reducing fuel costs as well as improving their ease and ability to control heating, and helping with the citywide reduction of carbon emissions.
- 2.3 The District Heating Clusters project seeks to design, develop and deliver six district heating clusters across the city. These will each involve an on-site district heating energy system, installation of pipework in the blocks, replacement of existing electric storage heaters, and where appropriate, sprinkler system retrofitting. The six clusters are planned to be delivered in three batches, with works on site from April 2021 to March 2024.
- 2.4 In 2018, Ove Arup Partners International Limited (OAPL) were appointed for those stage 1 services following a competitive two stage tender process under YORconsult and successfully provided technical, engineering and logistical consultancy support, in relation to the development of this project. This included a series of reports and recommendations.
- 2.5 Following the successful delivery of stage 1, it was agreed that OAPL would be appointed to fulfil stage 2 technical consultant services, where these were required.
- 2.6 The scope, pricing structure and fees for stage 2 pre and post contract technical consultant services, have now been agreed.

3. Main issues

- 3.1 In order to improve energy efficiency and tackle fuel poverty in our housing high rise blocks, the council now needs specialist technical consultancy services to support the further development and delivery of the District Heating Clusters project.
- 3.2 The council requires technical consultancy services to support the further development and delivery of this project, from pre-procurement of a contractor to works completion. This includes:
 - Development of performance specifications and technical advice on tender and contract documentation, and evaluation approach criteria;
 - Support the development of energy system innovation which provides locally generated low-cost, low carbon energy homes via district heating networks;
 - Support during stage 1 procurement activity related to technical queries and advice on bidder responses to support evaluation;
 - Support during three batches of stage 2 tender activity, linked to the development of design proposals by the contractor and their review;
 - Post contract technical advice during three batches of construction activity to support the council during the design and build of the clusters themselves, including reporting from site visits every two weeks.
- 3.3 There is an existing contractual arrangement with OAPL in relation to this activity, in line with Contract Procedure Rule 3.1.6 which made it clear that the successful party could be appointed for stage 2 provided the services they undertook at stage 1 were completed to the satisfaction of the Council.
- 3.4 It should be noted that previously, prior to the competitive stage 1 procurement, our joint venture partner NPS Leeds (as an Internal Service Provider) was consulted in

line with Contracts Procedure Rule 3.1.4, and declined the work linked to a skills gap in this area.

- 3.5 The original competitive procurement included the required form of contract for any stage 2 contract, this is an NEC3 Professional Services Agreement.
- 3.6 To ensure value for money is achieved throughout stage 2 technical consultancy services, Housing has conducted a pre-contract review of OAPL's official offer letter; benchmarking the proposed values against YORconsult2 framework data and a previous similar procurement.
- 3.7 To ensure quality standards are maintained throughout the stage 2 technical consultancy services contract, Housing will conduct periodic reviews to ensure our requirements are being met; in line with the agreed activity schedule and contract management plan.
- 3.8 The contract is planned to commence from April 2020 and complete on 31 March 2024.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 There has been internal consultation in relation to this contract with procurement, legal, and finance colleagues to make sure that our procurement activity and contract content is appropriate and robust, we are working within planned budgets, and to agree this report.
- 4.1.2 At this early stage of the District Heating Clusters project there has been limited wider consultation and engagement. However, a project-level communications plan is in place and being further developed. Local Councillors for wards that are likely to be affected by the project, and Housing Area Management, have been provided with an initial briefing on the scheme to start a process of ongoing engagement.
- 4.1.3 All communications relevant to this contract are being identified, planned and monitored as part of the project-level communications plan; local consultation and engagement will be planned with both residents and ward Councillors.
- 4.1.4 There has been internal consultation in relation to the District Heating Clusters project with Sustainable Energy and Air Quality, including exploring additional external funding sources for the wider project.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 An Equality, Diversity, Cohesion and Integration (EDCI) screening on this decision has been undertaken and is attached. There are no key points arising.
- 4.2.2 Over the coming months an ECDI assessment will be undertaken in relation to the whole planned scheme, this will support subsequent decision making on taking forward the scheme and any procurement of a contractor.

4.3 Council policies and the Best Council Plan

- 4.3.1 The District Heating Clusters project supports the aspirations set out in the Best Council Plan, in particular the objective of supporting communities and tackling poverty by reducing fuel poverty.

- 4.3.2 The future planned investment will contribute to the Best Council Plan outcomes of everyone living in good quality, affordable homes and for everyone to be safe and feel safe; and to our commitments of reducing citywide carbon emissions, and in relation to affordable warmth.
- 4.3.3 This contract with OAPL will support our technical specifications for the scheme which seek to reduce carbon emissions and lower tenant's energy bills. In addition, OAPL will be providing agreed employment skills and outcomes through this contract.
- 4.3.4 The District Heating project will support local employment and skills outcomes, through using local resources and investing in local apprentices and training, by ensuring the subsequent design and build contracts resulting from this contract have agreed terms in place prior to commission.

4.4 **Climate Emergency**

- 4.4.1 Leeds City Council declared a climate emergency in 2019, acknowledging the urgency with which the city needs to change. This project is part of our activity to make the council carbon-neutral and to lead the city in that direction.
- 4.4.2 The District Heating Clusters project plans to connect 1,485 homes to six renewable fuelled district heating networks, reducing carbon emissions per dwelling and increasing the energy rating of each dwelling (measured by Standard Assessment Procedure – SAP).
- 4.4.3 This contract seeks to procure technical, engineering and logistical consultancy support to obtain the maximum heat energy carbon savings whilst maintaining air quality. It helps us to deliver activities to respond to emergency, and complements the [Leeds City Region Energy Strategy and Delivery Plan](#) through:
 - 4.4.3.1 **New energy generation:** developing innovation which provides locally generated low-cost, low carbon energy homes via district heating networks.

4.5 **Resources, procurement and value for money**

- 4.5.1 Leeds City Council's £246.7m Housing Capital Refurbishment Programme for the year 2020/21 – 2022/23 allows access to financial resources to Housing for aligned approved projects.
- 4.5.2 The District Heating Clusters project is planned to be funded through the housing capital refurbishment programme to the value of circa 24m. Additional income through the European Regional Development Fund (ERDF) has been sought in December 2019, the value of this application if successful is expected to contribute circa £6m of the £24m District Heating project budget.
- 4.5.3 The proposed contract value is £372,335. Financial reservations from the capital programme of £50k in 2020/21, a further £100k in 2021/2022, and finally £110k in both 2022/23 and 2023/24. No ERDF income is being allocated to this contract.
- 4.5.4 Decisions to authorise spend on the Housing Capital Refurbishment Programme for each financial year are taken by the Director of Resources and Housing as a key decision each spring, with authority to spend for 2020/21 planned to be considered in March 2020.

- 4.5.5 Stage 1 technical consultancy services procurement was carried out in an open and transparent manner using the Yorconsult framework which was procured in line with Public Contract Regulations and EU Public Procurement Directives whilst ensuring competition was sought to identify best value for money throughout the contract term.
- 4.5.6 This contract with OAPL is based upon their satisfactory performance at stage 1, and based on an NEC3 Professional Services Agreement under the YORconsult framework.
- 4.5.7 This contract will operate on the agreed tender price per item, whereby pre-agreed schedules will enable works to be ordered and payment made effectively, offering a value for money service.
- 4.5.8 The contract will be managed by the Planned Works Team Leader. A contract management plan is under development, as is required by Contract Procedure Rule 3.1.15.
- 4.5.9 Following the approval of this contract, OAPL will provide the District Heating Clusters project with resources in the manner of specialist skills, technical expertise and knowledge, consistent with regards to Health and Safety and environmental considerations, which will support us in delivering the District Heating Clusters project.

4.6 **Legal implications, access to information, and call-in**

- 4.6.1 The decision set out in this report is a Significant Operational Decision and is not subject to Call-In.
- 4.6.2 There are no grounds for keeping the contents of this report confidential under the Access to Information Rules.
- 4.6.3 The original procurement was undertaken on a competitive basis using the Yorconsult framework in line with Public Contract Regulations 2015 (Regulations) and awarding the stage 2 contract to OAPL in this was is fully compliant with those Regulations.
- 4.6.4 In making their final decision, the Director of Resources and Housing should note the above comments and be satisfied that the course of action chosen represents best value for the Council.

4.7 **Risk management**

- 4.7.1 A project team is in place and a risk register for the District Heating Cluster project is being maintained. Risks related to the project – including those relevant to the technical consultancy services contract will be monitored and managed via this document.
- 4.7.2 As previously noted a contract management plan is being developed and will be used to manage the contract risks. Notable risks for this contract include:
 - 4.7.2.1 **Delays to planned activity:** potential delays to the timescales agreed with OAPL, based upon our project plan, could lead to additional costs. All timescales and costs will be monitored closely. Any required changes will be managed via compensation events.

4.7.2.2 **Necessary unplanned activity:** any required activities not within the agreed activity schedule which arise during the contract delivery will be considered carefully and, if needed, managed via compensation events.

4.7.2.3 **Un-utilised planned activities;** any planned activities within the activity schedule which are not undertaken by OAPL will be managed as a negative compensation event, and a rebate will be scheduled.

5. Conclusions

5.1 To improve energy efficiency and tackle fuel poverty in our high rise blocks the council requires specialist technical consultancy services to deliver the District Heating Clusters project.

5.2 Stage 1 technical services from OAPL were completed successfully. They were appointed on a competitive basis using the YORconsult Framework. In line with the reference in the stage 1 procurement, and contract procedure rule 3.1.6, we are able to engage OAPL for stage 2 activity. The scope, pricing structure and fees for this have now been agreed.

5.3 Following a review of the full fee proposal we are assured that value-for-money will be achieved through this contract. The council will manage the contract to ensure that ongoing value-for-money is maintained.

6. Recommendations

6.1 The Director of Resources and Housing is requested:

- to note that following the successful work with Ove Arup Partners International Limited (OAPL) during stage 1, a stage 2 full scope, pricing and fee proposal has been agreed to the satisfaction of the council; and
- to approve the appointment of OAPL for stage 2, procured in line with the YORconsult framework, to provide pre and post contract technical consultancy services to further develop and deliver District Heating Clusters to the value of £372,335.

7. Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.