

Report of Senior Project Manager

Report to Chief Officer Sustainable Energy & Air Quality

Date: 12th January 2021

Subject: Appointment of Ove Arup & Partners Ltd to undertake the role of Supervisor and Project Manager on the phase 2 extension of the Leeds Pipes District Heating Network

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary

1. Main issues

- Phase 1 of the Leeds Pipes District Heating Network (DHN) was constructed by Vital Energi Ltd under the terms of a NEC3 construction contract. To ensure that suitable technical input and project management support was available to support with the delivery of the project, Ove Arup & Partners Ltd were appointed to carry out both the Supervisor and Project Manager roles set out within the NEC3 contract.
- Phase 2 of the DHN extends the network by an additional 2.5km directly into the city centre, with the extension being constructed Vital Energi Ltd under a NEC3 construction contract.
- To ensure that suitable project management and technical support is in place it is proposed that Ove Arup & Partners undertake the same project manager and supervisor roles that were provided for phase 1. The contract will be for a maximum of £132k and be based upon the same terms used for the phase 1 contract.
- Due to the phase 2 construction contract being held by Leeds PipeCo, the contract will be novated to Leeds PipeCo immediately after the contract has been signed by the council.

2. Best Council Plan implications (see the [latest version of the Best Council Plan](#))

- Sustainable infrastructure is one of the key priorities in the Best Council Plan, with the council having a vision of improving the resilience of the city's infrastructure whilst promoting a more competitive, less wasteful, more resource efficient, low carbon economy.
- The Phase 2 District Heating Project - Project Management and Supervisor Contract will provide support to help ensure the successful delivery of the phase 2 extension. The phase 2 extension will then be able to provide low carbon heat to a range of potential customers within the city centre and contribute to customers on the network to become more sustainable through improvement in energy use and help to maximise the carbon savings that can be achieved by the DHN.

3. Resource implications

- The project management and supervisor roles provided by Ove Arup & Partners Ltd will support the in-house DHN project delivery team.
- The contract will be funded through the prudential borrowing approved by Executive Board in April 2019 as part of the capital scheme relating to the construction of the Phase 2 extension.

Recommendations

The Chief Officer Sustainable Energy & Air Quality is recommended to:

- a) Approve the appointment of Ove Arup & Partners Ltd to provide NEC3 supervisor and project management support for the phase 2 extension of the district heating network, with a contract value of £132k.

1. Purpose of this report

- 1.1 This report sets out the recommendation to appoint Ove Arup & Partners Ltd to carry out the roles of project manager and supervisor as part of the NEC3 contract relating to the construction of phase 2 of the Leeds Pipes District Heating Network.

2. Background information

- 2.1 Phase 1 of the Leeds Pipes District Heating Network (DHN) was constructed by Vital Energi Ltd under the terms of a NEC3 construction contract. To ensure that suitable technical input and project management support was available to support with the delivery of the project, Ove Arup & Partners Ltd were appointed to carry out both the Supervisor and Project Manager roles set out within the NEC3 contract.
- 2.2 The "District Heating Project - Project Management and Supervisor Contract" was awarded Ove Arup & Partners Ltd following the advertisement of the opportunity on the YORconsult1 framework contract. This framework provided a pre-approved framework of consultants to who the opportunity could be tendered.
- 2.3 Phase 2 of the DHN extends the network by an additional 2.5km directly into the city centre, with the extension being constructed Vital Energi Ltd under a NEC3 construction contract.

- 2.4 The phase 2 extension was part funded through a grant from the Heat Network Investment Programme (HNIP), which required the council to establish a Special Purpose Vehicle (SPV) to construct and own the network. As such Leeds PipeCo was set up, which now owns the phase 2 assets and has entered into a contract with Vital Energi Ltd to construct the extension.
- 2.5 To ensure that suitable project management and technical support is in place it is proposed that Ove Arup & Partners undertake these roles as per phase 1.

3. Main issues

- 3.1 The “Phase 2 District Heating Project - Project Management and Supervisor Contract” will have a contract value of £132k.
- 3.2 The scope of the specification that was originally advertised on the YORconsult1 framework included the city centre extension (phase 2), however it set out that this phase of the project may be delayed.
- 3.3 The YORconsult1 framework has expired since the contract was awarded. However given the need to ensure consistency between phase 1 and phase 2, and that the tendered contract included phase 2 within its scope, it is considered that the appointment of Ove Arup & Partners Ltd to carry out the roles is appropriate.
- 3.4 Following consultation with Procurement and Commercial Services (PACS) and YORconsult the proposed approach is to bring the phase 2 project management and supervisor support back into the scope of the contract originally awarded via phase 1. This will be done by forming a new contract for the phase 2 support. This new contract will be based on the same terms as the phase 1 contract to ensure commercial consistency (pricing and terms). The phase 2 Project Management and Supervisor contract with Ove Arup & Partners will be novated to Leeds PipeCo once entered into by the council.
- 3.5 This ensures that only the phase 2 element of the originally tendered Project Management & Supervisor contract is novated to Leeds PipeCo and that the Phase 1 element remains with the council.
- 3.6 This approach mirrors the existing contractual arrangements for the phase 2 network, as the Phase 2 NEC contract with Vital Energi was formed with the council, then novated to Leeds PipeCo Ltd.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 Consultation with key stakeholders has taken place regarding the Phase 2 District Heating Project - Project Management and Supervisor Contract. Consultation has included YORconsult, Ove Arup & Partners Ltd, Leeds PipeCo, and (PACS).
- 4.1.2 The Executive Member for Resources and the Executive Member for Climate Change, Transport and Sustainable Development have been consulted with on the Phase 2 DHN extension throughout the development of the project
- 4.1.3 The role of Arup in providing NEC3 support was set out within the Executive Board report in April 2019, which approved the Phase 2 extension.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 There are no significant equality, diversity, cohesion and integration impacts associated with these proposals. A screening assessment has been completed in relation to this proposal.

4.3 Council policies and the Best Council Plan

- 4.3.1 Sustainable infrastructure is one of the key priorities in the Best Council Plan, with the council having a vision of improving the resilience of the city's infrastructure whilst promoting a more competitive, less wasteful, more resource efficient, low carbon economy.
- 4.3.2 The Phase 2 District Heating Project - Project Management and Supervisor Contract will provide support to help ensure the successful delivery of the phase 2 extension. The phase 2 extension will then be able to provide low carbon heat to a range of potential customers within the city centre and contribute to customers on the network to become more sustainable through improvement in energy use and help to maximise the carbon savings that can be achieved by the DHN.

Climate Emergency

- 4.3.3 The contract will help to support the successful delivery of phase 2 of the DHN, which will help to maximise CO₂ emissions reductions associated with the RERF and contribute to the council's ambition of becoming a zero carbon city by 2030.

4.4 Resources, procurement and value for money

- 4.4.1 The original YORconsult framework that was used to appoint Ove Arup & Partners Ltd to carry out the phase 1 supervisor and project manager roles, offered certainty over quality, cost and time. All consultants on the framework were subject to price and quality testing, reducing the risk of inexperienced firms acquiring high value projects that require specialist expertise. Continuing with the same pricing arrangements used on the phase 1 contract ensures that VfM is provided.
- 4.4.2 The contract will be based upon the same contract terms used to provide the phase 1 supervisor and project management support, ensuring that the appointment is in line with the original tendered contract.
- 4.4.3 The project management and supervisor roles provided by Ove Arup & Partners Ltd will support the in-house DHN project delivery team.
- 4.4.4 The contract will be funded through the prudential borrowing approved by Executive Board in April 2019 as part of the capital scheme relating to the construction of the Phase 2 extension.

4.5 Legal implications, access to information, and call-in

- 4.5.1 There is no confidential or exempt information included within this report.
- 4.5.2 The decision within the report is a significant operational decision and it is not subject to call in.

4.6 Risk management

- 4.6.1 Not appointing Ove Arup & Partners Ltd would mean that specialist technical and project management support will not be in place to support the delivery of the phase

2 network, meaning there would be a risk that sufficient expertise is in place to ensure the design and construction has been carried out appropriately.

- 4.6.2 Appointing another organisation to carry out the roles would mean there is inconsistency across both the phase 1 and phase 2 network, which may lead to delays, contractual disputes, and a lack of consistency in specialist input.
- 4.6.3 The project management role to be provided by Arup will manage the risk register within the NEC3 contract, ensuring that project specific risks will be monitored throughout the development of the phase 2 extension.
- 4.6.4 There is a risk in there being a separate appointment with Ove Arup & Partners for phase 2 via an expired framework. However given that the scope of the phase 2 work was included within the original procurement the appointment is considered appropriate and the risk to be minimal.

5. Conclusions

- 5.1 The first phase of the Leeds Pipes district heating network was constructed under the terms of an NEC3 contract, with the council having appointed Ove Arup & Partners Ltd to provide support by fulfilling the roles of supervisor and project management. This ensured that specialist technical support was provided throughout the construction of the network to ensure the design and delivery of the project was provided in accordance with the contract. The phase 2 extension is also being delivered under a NEC3 contract and as such it is proposed that Ove Arup & Partners Ltd be appointed to carry out the same role, under a new contract based on the terms of the phase 1 supervisor and project management contract.

6. Recommendations

- 6.1 The Chief Officer Sustainable Energy & Air Quality is recommended to:
 - Approve the appointment of Ove Arup & Partners Ltd to provide NEC3 supervisor and project management support for the phase 2 extension of the district heating network, with a contract value of £132k.

7. Background documents¹

- 7.1 N/A

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.