



Report of: Head of Strategy & Investment

Report to: Director of Resources & Housing

Date: 15 January 2021

Subject: Social Housing decarbonisation fund - Whole House Energy Efficiency Improvements on the Holtdale estate

Are specific electoral wards affected? If yes, name(s) of ward(s): Adel & Wharfedale	<input checked="" type="checkbox"/> Yes <input 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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Will the decision be open for call-in? Recommendation 1 and 2 are subject to call-in. Recommendation 3 is not subject to call-in	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: 9.2 (a) information given to the Council by a Government Department on terms which forbid its public disclosure Appendix number: 1	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Summary

1. Main issues

- As part of the council's activity to tackle the climate emergency, and address fuel poverty, works are planned to deliver whole house retrofits to 190 non-traditional, solid wall low rise (2 storey) flats in the Holt Park area of the city. These properties traditionally are hard to heat and suffer from hard to treat condensation, contributing to fuel poverty and health problems for residents.
- The works will include installing Air Source Heat Pumps and solar PV panels to decarbonise the stock as well as replacing the ventilation system and fitting insulation throughout each property. Residents will also benefit from more efficient heating and hot water systems.
- The works are of a specialist nature and, following consultation with the internal service provider, they are unable to carry out these specialist works within the timescales required. Therefore it is planned to procure an external contractor through a direct call off from the Better Homes Yorkshire (BHY) framework.
- The scheme is planned to start on site in April 2021, and works will be completed by December 2021.
- The estimated capital cost of the scheme is £8.87m.

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

- The programme will contribute to the Best Council Plan outcomes of tackling fuel poverty, and the climate emergency by improving energy performance in homes and support residents to live in good quality, affordable homes.
- Key benefits are expected to be:
 - Average energy bills reduced by 70% for each home.
 - Carbon emissions are reduced across all properties
 - Energy efficiency (SAP rating) is improved so all properties will be at or above rating C.
 - A reduction in energy demand for the properties between 30 and 50 kWh/m² (kilowatt hour per meter squared).

3. Resource Implications

- The estimated total cost of the scheme is £8.87m. This will partly be funded (£4.49m) via the Housing Capital Refurbishment Programme from the Housing Revenue Account (HRA). The rest of the funding for this scheme is described in confidential appendix 2. The funding will all be spent in the financial year 2021/2022.

Recommendations

The Director of Resources and Housing is requested to:

1. Authorise spend of £8.87m from the capital programme during the financial year 2021/22 to enable delivery of 190 whole house retrofits non-traditional, solid wall low rise (2 storey) flats in the Holt Park area of the city.
2. Approve the proposed procurement of an external contractor for these specialist works via a direct call off from the Better Homes Yorkshire (BHY) framework.
3. Approve funding arrangements set out in confidential appendix 2
4. Exempt (funding arrangements) from call in.

1. Purpose of this report

- 1.1. The purpose of this report is secure approval to proceed with the recommended procurement route to engage an external contractor to deliver these specialist works.
- 1.2 Secure authority to spend an overall budget of £8.87m. The project lifespan will be across one financial year commencing in April 2021 and concluding in December 2021. The funding arrangements for this scheme are set out in confidential appendix 2.

2. Background Information

- 2.1 Leeds City Council housing portfolio includes non-traditional housing stock, many of which are low rise flats, with solid walls. These properties are popular with residents, however they are often expensive to heat and suffer from condensation, which is difficult to treat. This can lead to fuel poverty as well as ill-health for residents.
- 2.2 This project seeks to address the poor energy efficiency of 190 of these non-traditional properties by carrying out various low carbon retrofits. These include installation of Air Source Heat Pumps (ASHP), Solar PV Panels as well as a replacement ventilation system and insulation throughout the property.
- 2.3 The intention is to benefit residents by reducing their fuel costs substantially and improving their ability to control heating and hot water, as well as to reduce carbon emissions.
- 2.4 The project will result in a cost effective and replicable model for whole house, area based delivery which will be continued into all tenures, neighbouring areas and could be rolled out citywide. The green doctor services will be enlisted to provide information and support to tenants to enable maximum benefits from the thermal improvements.

3. Main issues

- 3.1. The contractors activities will include full installation of the following identified retrofits:
 - Insulation – External Wall Insulation (EWI), Loft insulation, high performance windows and external doors, external perimeter floor insulation
 - Thermal Bridging - Extension to eaves and gables to provide a thermal bridge free wall/roof junction.
 - Ventilation - Replacement of extractor fans with demand controlled Mechanical Ventilation systems
 - Heating - Installation of high efficiency Air Source Heat Pumps (ASHP) with phase change thermal stores. Installation of smart thermostat controls which will also provide temperature, humidity and indoor air quality monitoring
 - Electricity - Lighting will be upgraded to LED fittings, where the roof area permits, a 4 kW solar PV system will be installed on first floor flats. A smart meter (SMETS2) will also be fitted enabling Agile tariffs to be accessed.
- 3.2. The contractor will also be required to carry out surveys to measure the energy efficiency and obtain EPC's (Energy Performance Certificates) both pre and post carrying out the retrofits listed above.
- 3.3. Service and maintenance of the measures will fall to the contractor under their existing repairs & investment contract.

- 3.4. The Council will engage the services of a third party contractor for a period of 3 years to monitor the actual energy consumption and billing data for all properties included in the programme to determine the impact on the residents and ensure the full benefits of the scheme are realised.
- 3.5. Indicative timescales for the scheme show that surveys are due to be carried out on the included properties between January and March 2021 and works are set to commence on site in April 2021 and be complete in December 2021.
- 3.6. A range of Procurement options have been considered to procure a contractor. A summary of the options considered are:
- 3.7. Option 1 – do nothing. Discounted, there would be no procurement activity to deliver the scheme.
- 3.8. Option 2 – Leeds Building Services deliver in house. Discounted. The internal service provider was consulted as required by Contracts Procedure Rule 3.1.4 with regards to the scope of works. The Head of LBS has indicated that they do not have the specialist level of expertise to undertake these works within the requisite timeframes at this point in time.
- 3.9. Option 3 – Procure a Leeds City Council Contract through Competition.

This route would provide an opportunity to test the market through a competitive exercise. Due to the specialist nature of the works, a 2 stage tender would be used as this method helps to maximise the robustness of the tender process and encourages early contract involvement / engagement. This would include initially advertising to the open market via YORtender. Then carrying out a pre-qualification process (PAS91) to shortlist the suitably qualified and experienced contractors. Finally shortlisted contractors would be evaluated through a price / quality evaluation methodology. It is estimated that this route would take approximately a further 3-4 months in order to receive, evaluate and shortlist applications from the PAS91. This route is not recommended as the preferred procurement option as this additional time would severely jeopardise the council's ability to secure the SHDF external funding for which the deadline is December 2021.

3.10 Option 4 – External Frameworks – Recommended

A number of externally procured OJEU Compliant frameworks have been considered. These include the specific more energy efficient specialist framework such as Better Homes Yorkshire and Procurement for Housing. Each has been considered since they have suitable lots with relevant contractors on them. Bidders appointed to the framework have already been assessed through an OJEU compliant competitive tendering exercise. They have already had their technical capacity and ability evaluated.

Timescales for the procurement can be reduced as the frameworks are already established therefore there is no need for pre-qualification (PAS91) or shortlisting. In choosing between the framework options, factors considered included: the requirement to carry out these priority works quickly, coupled with the availability of using a contractor who has successfully delivered similar works recently, to a high quality and standard, providing value for money and ability to deliver on time. Following this, it is considered on this occasion that the Better Homes Yorkshire framework (BHY) is used, with a direct call off.

4. Corporate considerations

4.1. Consultation and engagement

- 4.1.1. Accountability for undertaking the recommendations set out in this report sits with the Strategy and Investment team. Advice has been secured from Procurement, Commercial and Legal teams, all are supportive of the recommendations set out in this report. .
- 4.1.2. Initial consultation has been undertaken with the three local Ward councillors and consultation with ward members will continue at various stages of the project.
- 4.1.3. The Executive Member for Communities has been consulted and is in support of the project.
- 4.1.4. It is proposed that more detailed stakeholder engagement will commence once approval to spend has been secured and a delivery approach has been agreed with the contractor.
- 4.1.5. There are 37 leaseholders who would be effected by this project. In order to keep costs sustainable we will offer a reduced package of works to leaseholders rather than the full retrofit that will be installed in the council properties. A combination of external funding (Green Home Grants and ECO3 funding) and Housing Leeds Capital investment will be used to avoid passing on costs for the works to leaseholders, therefore a formal consultation period does not apply.

4.2. Equality and diversity / cohesion and integration

- 4.2.1. An Equality, Diversity, Cohesion and Integration (EDCI) impact assessment has been undertaken and is attached as Appendix 1.
- 4.2.2. Council requirements in relation to equality and diversity will be included within the tender documentation for the contractor when carrying out these works and will form a key part of the resident communication strategy.

4.3. Council policies and the Best Council Plan

- 4.3.1 The scheme will contribute to the Best Council Plan priority by tackling fuel poverty through improving the improving energy performance in homes, supporting the outcome of everyone living in good quality, safe, affordable homes.
- 4.3.2 This work is strongly aligned to the Best Council Plan Housing Priorities and our ambitions to:
 - Supporting communities and tackling poverty.
 - Promoting sustainable and inclusive economic growth. Improve housing quality and standards.
- 4.3.3 The existing Better Homes Yorkshire (BHY) contract contains strong local employment and supply chain commitments, which will continue throughout this project including the delivery of training and apprenticeships.

Climate Emergency

- 4.3.3 At full Council on 27th March 2019 Leeds City Council passed a motion declaring a Climate Emergency and we have a commitment to becoming carbon neutral by 2030. This project is specifically designed to reduce carbon emissions within council housing stock.
- 4.3.4 Scheme benefits that contribute to meeting the Climate Emergency are estimated below:
 - Carbon emissions reduced across all the properties, each year.

- Reduced energy demand to the affected properties, between 30 and 50 kWh/m² (kilowatt hour per meter squared).
- Energy efficiency (SAP rating) is improved so all included properties will be at or above rating C.

4.3.5 We will work with the contractor to reduce the impact of the construction works on the environment. For example to explore opportunities to mitigate or reduce carbon emissions by coordinating route planning and delivery schedules.

4.3.6 It should also be noted there will be some limited but unavoidable negative effects during construction activities. For example the release of embedded carbon involved with transporting of materials, construction traffic etc.

4.3.7 The contractor will be required to meet all legislation, guidance and good industry practice in regards to environmental management; and to ensure non-hazardous material is disposed of at a tip approved by a Waste Regulation Authority.

4.4. Resources, procurement and value for money

4.4.1. The procurement will be carried out in an open and transparent manner in line with Council Contract Procedure Rules and as required by the Public Contract regulations 2015 to identify best value.

4.4.2. Any contract will be managed by the Strategy & Investment team. A contract management plan will be developed in line with Contract Procedure Rule 3.1.16.

4.4.3. A number of external frameworks that have been considered, and it is felt that the option to procure from the Better Homes Yorkshire (BHY) framework by a direct award, will offer both the best opportunity both in terms of price cost certainty and to achieve the timescales of the project.

4.4.4. Council capital funding will be provided from the Housing Revenue Account (HRA) and costs will fall into the financial year 2021/22. Funding of £8,870,477 has been allocated for this scheme. This is based on a cost analysis carried out as part of the application for the SHDF in November 2020. All costs have been reviewed by our commercial team and these represents the best pre-procurement estimate of the cost for the scheme.

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

4.5.1. The decision set out in this report is a key decision and recommendations 1 and 2 will be subject to call-in.

4.5.2. However, recommendation 3 will not be subject to call-in for the reasons set out in confidential appendix 2. Section 3.1.3 of the Executive and Decision Making Procedure Rules states that where the decision to be taken has been placed on the list of forthcoming key decisions for the 28 day period, the Director of Resources and Housing can take the decision and implement it without waiting for the expiry of the 5 day call-in period provided the agreement of the relevant Executive Member is obtained.

4.5.3. Confidential appendix 2 contains information in accordance with Rule 9.2(a) of the Access to Information Procedure Rules and is therefore to be treated as a confidential appendix.

4.5.4. The contractor will be a data processor, and a data privacy impact assessment has been undertaken and relevant considerations will be included in the contract.

4.5.5. This report is a key decision to seek approval of the scheme, authority to spend and to agree the procurement route. A separate report resulting from this, seeking the award of a contract, will be written for the decision maker and this will be brought for approval.

4.6. Risk management

4.6.1 A risk register for the project is in place and will continue to be managed to monitor and mitigate risks, as well as identify any new risks throughout the project.

4.6.2 Key notable risks include:

- Health & Safety -Given current circumstances in relation to COVID-19, the health and safety of residents and contractors is our top priority. We will make sure that any work on this scheme will be done in line with government guidance.
- Timescales to meet construction delivery. Achieving timescales for the works delivery will be regularly monitored and any issues escalated to work to keep activity on track.

4.6.3 It should also be noted that we are taking into account previous lessons learnt from other projects to help us plan for this scheme. For example, a key lesson learned from previous energy efficiency projects is that technology need to work without complex controls for residents. Control systems will be kept as simple as possible and mechanisms put in place to support existing and future tenants to use technologies correctly.

5. Conclusions

5.1 The works planned are to carry out whole house retrofits to 190 non-traditional, solid wall, low rise flats within the Holt Park area. These retrofits will include installing Air Source Heat Pumps and solar PV panels to decarbonise the stock as well as replacing the ventilation system and fitting insulation throughout each property. Residents will also benefit from more efficient heating and hot water systems.

5.2 The work will contribute to tackling the climate emergency, reducing fuel poverty, and enhancing the efficiency and quality of homes.

6. Recommendations

6.1 The Director of Resources and Housing is requested to:

1. Authorise spend of £8.87m from the capital programme during the financial year 2021/22 to enable delivery of 190 whole house retrofits non-traditional, solid wall low rise (2 storey) flats in the Holt Park area of the city.
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7. Background documents¹

7.1. None.

8. Appendices

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.

- 8.1 Appendix 1 - Equality, Diversity, Cohesion and Integration (EDCI) impact assessment
- 8.2 Appendix 2 – Confidential Appendix – Memorandum of Understanding