

Approval to procure and award a contract to install a new ground source heat pumps (GSHP) heating system in the Queenswoods high rise housing blocks

Date: 21 June 2021

Report of: Head of Strategy & Investment

Report to: Director of Communities, Housing and Environment

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

What is this report about?

Including how it contributes to the city's and council's ambitions

- The works outlined in the report are part of the Council's ongoing strategy to replace current heating systems in housing high rise blocks with a renewable technology and reduce carbon emissions, in this scheme by installing ground source heat pumps (GSHP).
- The report seeks approval to proceed to award a contract to undertake works at Queenswood Heights and Queenswood Court in the Kirkstall ward. This follows a tender process using the Procurement for Housing Framework.
- The scheme will contribute to the Best Council Plan outcomes of tackling fuel poverty and the climate emergency by improving energy performance in homes, and supports the outcome of everyone living in good quality, affordable homes.

Recommendations

The Director of Communities, Housing and Environment is requested to

- a) Approve this scheme to replace existing heating and hot water systems in Queenswood Heights and Queenswood Court with a Ground Source Heat Pumps system and the award of a construction contract to Cenergist Limited to undertake the works for a contract sum of £1,531,545.19.
- b) Authorise expenditure of £870k, using HRA funding from the 2022/23 capital programme to facilitate this. This will take the total Authority to Spend for this project to £1.62m as £750k of expenditure was authorised as part the 2021/22 HRA Capital Investment Programme.

Why is the proposal being put forward?

- 1 Queenswood Court and Queenswood Heights are two 12 storey Wimpey high rise construction blocks consisting of 90 flats in total, currently supplied with heat and hot water by electric storage heaters and hot water cylinders with electric immersions. The current heating systems are near or at the end of their life, and their replacement provides an opportunity to use a renewable technology and reduce carbon emissions.
- 2 This scheme will directly benefit residents in the included blocks. Currently heating and hot water provision is delivered through outdated electric storage heaters which are inefficient, offer little control to residents and can result in expensive energy bills.
- 3 We want to improve resident satisfaction with their heating and insulation through this scheme. Notably residents at Queenswood Court (which is a Retirement Life block) are amongst the least satisfied with their heating compared to other Retirement Life properties across the city.

What impact will this proposal have?

Wards affected: Kirkstall

Have ward members been consulted? Yes No

- 4 The scheme is planned to reduce all resident's fuel costs, and improve their ability to control heating, as well as to reduce carbon emissions by the installation of the GSHP system.
- 5 Working with the contractor, the planned benefits for the scheme are:
 - Energy efficiency is improved so all flats will be at or above a SAP rating D;
 - Average energy bill reduced by approximately a third for each home, helping significantly tackle fuel poverty;
 - Improved control and comfort levels for residents to be able to more easily control their own heating; and
 - Estimated annual carbon savings of 218 tonnes per year.
- 6 GSHP have also been installed in the last year at four other high rise blocks - Heights West, Heights East, Westerly Croft and Westerly Rise. Resident feedback has been very positive about the control it gives them on their heating and the reduction in fuel bills they are experiencing.
- 7 As part of the contract there is also a commitment to achieve additional social value, details are provided in the confidential Appendix 1.
- 8 An Equality, Diversity, Cohesion and Integration (EDCI) impact assessment has been undertaken for this scheme and is attached at Appendix 2. There are not expected to be any negative impacts in relation to the planned works.

What consultation and engagement has taken place?

- 9 In line with good practice, local residents were consulted of the works and planned timescale in May 2021. Further engagement with residents will take place and local consultation workshops will be planned. A technical officer is allocated to the project to respond to any resident queries or concerns.
- 10 There is one leaseholder, who is not required to have and pay for the works so statutory consultation is not necessary. However they will have the option to buy in if they wish, with the full costs and expected benefits of the scheme communicated.

- 11 Initial consultation has been undertaken with the Ward Councillors for Kirkstall, all are fully engaged and supportive of the planned works. Detailed consultation with Ward Councillors will occur throughout the project's planned delivery. The Executive Member for Environment and Housing has also been consulted on this scheme and is in support of it.
- 12 This report has been developed by the Strategy and Investment project team who have been involved throughout the process. Advice has been secured from Procurement, Commercial and Legal Services, who have reviewed the proposals and support the planned decisions.
- 13 Following contract award, the contractor will write to residents informing them of expected activity and providing information about the installation process. They will also share a 'Meet the Contractors' pack with details of the team working on this scheme as well as providing training support by way of a heating system demonstration and a user guide for residents.

What are the resource implications?

- 14 The total budget for this scheme is £1,620,000.00, of which £1,531,545.19 is for this contract. The remaining amount of £88,454.81 is for additional costs such as to support tenant decoration and contingency.
- 15 A detailed analysis and review of the tendered price has been undertaken by the Quantity Surveyor in the Strategy & Investment commercial team. This was to ensure the price is both complete and fully compliant with the tender requirements and that the contract value is realistic, sustainable and offers value for money for the council. In addition Social Value has been evaluated by the Social Value Portal Team.
- 16 The Director of Communities, Housing and Environment authorised the £85.0m 2021/22 Housing Revenue Account (HRA) capital investment programme on 21st June 2021 (link in background papers, section 41). Within the Authority to Spend approved for the programme was £750k for Ground Source Heat Pumps Phase 3, and phase 3 is now confirmed as Queenswood Heights and Court. To enable full delivery of this project by March 2022, additional HRA funding of £870k will be brought forward from the 2022/23 financial year.
- 17 Ongoing revenue costs related to repair and maintenance and will be managed by Housing Leeds, with Leeds Building Services as the maintenance contractor after the defects liability period.
- 18 Capital funding and cash flow table (32022/KF2/000)

Previous total Authority to Spend on this scheme	TOTAL £000's	TO MAR 2021 £000's	FORECAST	
			2021/22 £000's	2022/23 £000's
CONSTRUCTION (3)	750.0		750.0	
OTHER FEES / COSTS (7)	0.0			
TOTALS	750.0	0.0	750.0	0.0
Authority to Spend required for this Approval	TOTAL £000's	TO MAR 2021 £000's	FORECAST	
			2021/22 £000's	2022/23 £000's
CONSTRUCTION (3)	784.5		784.5	
OTHER FEES / COSTS (7)	85.5		85.5	
TOTALS	870.0	0.0	870.0	0.0
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MAR 2020 £000's	FORECAST	
			2020/21 £000's	2021/22 £000's
Housing Revenue Account	1,620.0		750.0	870.0
Total Funding	1,620.0	0.0	750.0	870.0
Balance / Shortfall =	0.0	0.0	-870.0	870.0

What are the legal implications?

- 19 The decision set out in this report is a key decision, and subject to call-in.
- 20 The information in Appendix 1 of this report has been identified as exempt/confidential under the Access to Information Rules 10.4 (3). The public interest in maintaining the exemption in relation to the confidential Appendix outweighs the public interest in disclosing the information and financial details which, could adversely affect the business of the Council and the business affairs of the individual company.
- 21 A Data Protection Impact Assessment has been undertaken. This has shown that the contractor is a data processor. Council information governance requirements are included in the contract and will be part of contract management activity.

What are the key risks and how are they being managed?

- 22 A risk register for the project is in place and will continue to be managed to monitor, mitigate and identify any new risks as they arise. Once the contract is in place the contractor and Housing Leeds will work together to monitor and review on a regular basis. Notable key risks include;
- 23 Health & Safety – The health and safety of residents, staff and its contractors is the council's priority. In undertaking this scheme site visits or activity where entry to a resident's property is required, will be carried out in line with government guidance and site specific risk assessments relating to COVID-19.
- 24 Timescales to meet construction delivery – This will be regularly monitored to ensure works are completed on time. Progress against plan will be regularly monitored and any issues will be escalated to keep activity on track.
- 25 Over budget – The risk of the project exceeding the allocated budget has been managed by the production of robust costings based on the recent feasibility data exercise. The commercial team will further manage this by closely monitoring the costs via monthly financial statements to maintain cost control and support the delivery of the project to budget and planned timescales.
- 26 It should also be noted that we are taking into account previous lessons learned from other projects and from the experience of other contractors to help us plan for this scheme.

Does this proposal support the council's three Key Pillars?

Inclusive Growth

Health and Wellbeing

Climate Emergency

- 27 This scheme supports tackling the Climate Emergency, and detailed Climate Impact Assessment has been carried out and is attached at Appendix 3. Benefits from the scheme are outlined in paragraph five of this report. Additionally the contractor will adopt a holistic approach to the environment and has committed to various additional social value measures to support in tackling the climate emergency.
- 28 The scheme will support Inclusive Growth through the social value commitments from the contractor. These include commitments related to the creation of new employment opportunities for Leeds residents as well as commitments to provide innovative measures to promote local skills and employment and innovative measures to promote responsible business.
- 29 This scheme supports Health and Wellbeing, through its benefits to residents of more controllable heating, increased comfort, and reduced heating costs.

Options, timescales and measuring success

What other options were considered?

- 30 The internal service provider was consulted as required by Contract Procedure Rule 3.1.4 with regards to delivery of the scope of works. The Head of Leeds Building Services advised that they did not have the specialist level of expertise to carry out these works, therefore a tender process was required.
- 31 A competitive procurement was also considered to test the market, for which the process would take an additional four months to deliver than a direct award approach. This was not recommended, but is being explored for delivery of the longer term high rise de-carbonation strategy.
- 32 On balance the procurement via a direct call-off from the Procurement for Housing framework (PFH) was the recommended option and deemed best value. This framework has been vetted and approved by the Council's legal team in Procurement and Commercial Services, organisations on the framework have been through an OJEU compliant competitive tendering exercise. The contractor Cenergist Limited has the technical ability and capacity to provide these works to the required timescale, to budget, to a high standard of quality and provide value for money.

How will success be measured?

- 33 This scheme has a benefits plan which is reviewed regularly at key stages of the project.
- 34 As part of this, a pre and post Energy Performance Certificate (EPC) will be collected on the blocks. The same measures will then be taken once work has been completed to help assess the environmental impact of the scheme and measure the improvement in energy efficiency.
- 35 Satisfaction in relation to reductions in resident's fuel bills, improved control over heating and comfort levels will be measured by the distribution of questionnaires to residents to understand the impact of the works. Resident satisfaction will also be measured through the housing STAR survey every two years.
- 36 The Social Value Portal will be used by the contractor to help measure and monitor the impact of the additional social value measures implemented on this contract.

What is the timetable for implementation?

- 37 Works on site are planned to start in July 2021. It is anticipated the construction activity will take approximately 8 months to complete. All works should be complete by the end of March 2022.

Appendices

- 38 Appendix 1 – Tender Analysis Report (confidential)
- 39 Appendix 2 – Equality, Diversity, Cohesion and Integration (EDCI) Impact Assessment
- 40 Appendix 3 – Climate Impact Assessment

Background papers

- 41 2021/22 Capital Investment Programme – Housing Revenue Account ([D54165](#))