

Sub-contracting arrangements for the Heat Pump Ready project

Date: 1st December 2022

Report of: Senior Project Officer

Report to: Chief Officer Sustainable Energy and Air Quality

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

Leeds City Council is the lead partner in a consortium selected by the Department for Business, Energy Innovation and Skills (BEIS) to deliver a feasibility study into the commercial viability of innovative heat pump technology.

The council needs to enter into sub-contracting arrangements with the other consortium partners so that they can receive their allocated shares of the project funding BEIS are providing for this scheme.

This report provides detail on these arrangements and the project in general and recommends that CPRs are waived in order to directly appoint each consortium partner to the contract

Recommendations

In respect of Heat Pump Ready Phase 1, the Chief Officer of Sustainable Energy and Air Quality is recommended to approve the waiver of the following Contracts Procedure Rules,

Contracts Procedure Rules No 8.1 and 8.2 – Intermediate value procurements

and award contracts to:

- Ove Arup & Partners Limited in the sum of £54,802.96
- Kensa Contracting Limited in the sum of £39,300
- University of Leeds in the sum of £17,865.75
- Leeds Beckett University in the sum of £34,495.90
- IRT Surveys Ltd in the sum of £5,775
- Parity Projects Ltd in the sum of £17,950
- Otley Energy Ltd in the sum of £19,950

The contracts shall commence on the 28/09/2022 and expire on the 30/04/2023.

What is this report about?

- 1 Earlier in 2022, Leeds City Council was successful in bidding for funding from the government's Heat Pump Ready scheme. The bid is to conduct a feasibility study into shared ambient loop ground source heat pumps as a commercially viable proposition to decarbonise heating in private sector homes in Leeds.
- 2 Unlike most government funded projects, this is not a grant scheme, rather it's a contracting arrangement under the government's small business research initiative (SBRI). LCC is lead partner in a consortium with seven other partners, namely:
 - a) Ove Arup and Partners
 - b) Kensa Contracting Ltd
 - c) University of Leeds
 - d) Leeds Beckett University
 - e) IRT Surveys Ltd
 - f) Parity Projects Ltd
 - g) Otley Energy Ltd
- 3 As lead partner in the consortium, the council is contracted with BEIS and receives all funding from the government which we are then required to pass on to the other consortium partners. The council must therefore enter into sub-contracting arrangements with each partner to pay them their allocation of the project funding.
- 4 The consortium that has been brought together to deliver this project combines a diverse set of skills, with each partner bringing a unique set of technical expertise, specialist knowledge and experience to the project. It is therefore unfeasible that the project could be delivered as required by anyone else other than those in the original bidding consortium, and direct appointment of the consortium is necessary.
- 5 It is therefore necessary to waive Contracts Procedure Rules No 8.1 and 8.2 - Competition for Intermediate Value Procurements so that the council can fulfil its obligations under the funding agreement with BEIS and enter into sub-contracting arrangements with each partner in the consortium. The project is divided into seven different work packages, within each of which individual activities are assigned to each partner, reflective of the experience and expertise each brings to the project. The specification of each contract reflects only the specific activities each partner will be engaged in, therefore it is appropriate that each contract is subject to a separate waiver.
- 6 This proposal is being put forward so that Leeds City Council can deliver the heat pump ready phase 1 feasibility study for which we have entered into contract with BEIS following a successful application for funding in 2022. The project is being delivered by a consortium for which the council is the lead partner. Under the terms of our agreement with BEIS the council as lead partner receives all the funding for the project to then pass on to each consortium member according to their contribution to the project as defined in the submitted bidding documentation.
- 7 The project represents value for money as it is fully funded by BEIS and will enhance our knowledge of shared ground loop heat pump technology. It will provide us with insights into which areas of private housing have the highest potential to deploy this innovative technology and what the potential barriers are to doing so. It therefore makes a significant contribution to our work to decarbonise housing in the city.
- 8 Each consortium member provides a highly specialised service, highly complementary to the project as a whole. These specialisms encompass academia, technical consultancy, retrofit data services, thermal surveying and heat pump manufacture. There is therefore no internal

service provider that could deliver the project.

- 9 Once approval to award has been obtained, a contract will be entered into with each partner using standard tender documentation rules.

What impact will this proposal have?

- 10 Appointing the consortium partners will enable the heat pump ready feasibility study to take place. The study will examine the commercial potential of shared ground loop array heat pump technology to decarbonise private sector housing. This technology has already been installed to more than two dozen Leeds City Council tower blocks but has not yet successfully been deployed to private sector homes or in low-rise settings at scale.
- 11 The study is divided into several work packages, that include; which areas in Leeds are the most suitable to deploy this technology, consumer attitudes and the customer journey, system design for the selected area/s, finance and business model, local supply chain and communication of the project findings.
- 12 If the study finds the technology to be feasible, projects can bid for the next phase of funding which is for deployment of the chosen technical solution. Even if the study does not conclude that deployment is feasible it will still provide valuable insights into the viability of this technology as a commercial solution to decarbonise domestic heating for households able to make a financial contribution to works on their homes.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing Inclusive Growth Zero Carbon

- 13 The project will expand the body of knowledge around housing decarbonisation, in particular in relation to the able to pay sector which is a priority in the housing element of Leeds's net zero plans. It will help us understand the most suitable scenarios for deployment of shared ground loop technology to the private sector and how this translates to the housing stock in Leeds. It will also increase our understanding of public attitudes to heat pumps and the technical, financial and practical barriers to their mass-deployment.
- 14 It also contributes to inclusive growth goals in aiding the transition to a low carbon economy. If the study concludes that this technology is commercially feasible and funding is acquired for the deployment phase, the resulting construction projects will enhance local economic activity, create additional jobs and increase skills in green construction.

What consultation and engagement has taken place?

Wards affected: Chapel Allerton, Roundhay, Otley and Yeadon

Have ward members been consulted? Yes No

- 15 Colleagues in procurement and legal have been consulted around the procurement and contractual issues covered in this decision.

What are the resource implications?

- 16 The heat pump ready feasibility study is fully funded by BEIS. Leeds City Council is currently contracted with BEIS for the full value of the project which is £197,928.49, to be received in three tranches and injected under capital scheme 33627. The council's allocation of this funding is £7,921.74 with the remainder to be passed on by the council to the other consortium partners.

- 17 As lead bidder in the consortium, the council has the responsibility to pass on to the other consortium partners their funding allocations. In order to do this, we must enter into sub-contracting arrangements with each partner.
- 18 The project will be complete in financial year 2022/23 with no financial implications in future years.

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

- 19 Waiving CPRs risks challenge from other suppliers. This has been mitigated by consultation with procurement colleagues who have advised that it is appropriate to make a separate award to each sub-contractor. There is a clear delineation of each partner's role in the project that was set out in the original bid submitted to BEIS. The nature of this work means that it can only feasibly be carried out by the original bid consortium, and therefore direct appointment is the appropriate route to contract.
- 20 A further risk lies in not expediting contract arrangements since partners are already in delivery of the work and direct appointment is the swiftest way to carry this out.

What are the legal implications?

- 21 Colleagues in PACs have been consulted throughout the contracting process and have provided advice on the appropriate contracting route and drafting documentation.
- 22 Each sub-contractor has a clearly defined role in the project, based on their unique skills and expertise. A delivery plan was submitted with the original funding application dividing the project into work packages, within each of which, tasks were assigned to each partner. Separate contracts have been drafted for each partner reflecting the work each one is required to undertake with payment amounts calculated on this basis.
- 23 This clear delineation of roles within the project means it is appropriate to appoint each sub-contractor separately. The contracts range in value from the highest of £53,440 to the lowest of £5,937. Each award would therefore qualify as an administrative decision but the need to waive CPRs means that they must be recorded as significant operational decisions. This report wraps up all seven direct awards as separate recommendations in a single decision.

Options, timescales and measuring success

What other options were considered?

- 24 Instead of waiving CPRs a competitive procurement process could be undertaken. This is considered unfeasible as there is little prospect of any other group of partners providing the same blend of skills and expertise as the members of the original bidding consortium. The additional time to undertake this exercise would also have been to the detriment of the project which was required to complete substantive work by the end of November.

How will success be measured?

- 25 The primary output of the heat pump ready project is the feasibility study itself. This will describe the work of the consortium and present the conclusions as to whether this technology can present a commercially feasible proposition to decarbonise homes in the able to pay sector in Leeds.

What is the timetable and who will be responsible for implementation?

- 26 Appointment of contractors is urgent as they have been undertaking the work at risk since BEIS awarded the contract with LCC in June and the substantive work on the study is now

complete. The senior project officer in SEAQ is responsible for the council's work on HPR on a day to day basis.

Appendices

- None

Background papers

- None