

Housing District Heating Clusters: award of a construction contract for the Air Source Heat Pump high rise cluster 5

Date: May 2023

Report of: Head of Property Management

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

Brief summary

The project to undertake the replacement of inefficient electric storage heaters in six isolated high rise Council housing buildings, Grayson Crest, Holborn Towers, Marlborough Towers, Potternewton Heights, Queensview and Whincover Grange to improve energy efficiency as part of the climate emergency agenda. The works to install a district heating system supplied by a communal CO2 air source heat pumps is planned to reduce resident's fuel costs, improve their ability to control heating, and reduce carbon emissions.

Recommendations

- a. The Director of Communities, Housing and Environment is recommended to approve the award of a construction contract in connection with the District Heating Clusters scheme for the Isolated Air Source Heat Pump scheme, to Cenergist Limited for the sum of £7,821,780.79.

What is this report about?

- 1 This report seeks approval to award a construction contract to Cenergist Limited for the six isolated high-rise buildings across Leeds at Grayson Crest, Holborn Towers, Marlborough Towers, Potternewton Heights, Queensview and Whincover Grange, following the evaluation of their design proposals and tender submission.
- 2 As part of the Council's activity to tackle the climate emergency, and address fuel poverty, energy performance and quality within homes, a key decision was taken in July 2020 to approve the scheme and procure a contractor to replace the heating and hot water systems in 26 high rise blocks by installing a low carbon district heating network in the form of six clusters.
- 3 Following a competitive procurement exercise, the preferred contractor was identified as Cenergist Limited and the contract for design activity was awarded in March 2021.
- 4 Delivery will be managed by the Strategy & Investment team of Housing Leeds, whilst work continues in parallel with Cenergist Limited to develop designs for the remaining cluster 6 at Lovell Park.

What impact will this proposal have?

- 5 This scheme to install new heating and hot water with a is planned to reduce resident's fuel costs, improve their ability to control heating, and reduce carbon emissions. The blocks that are included in the Cluster 5 are detailed below:

Cluster	Block Name	Postcode	Ward
Cluster 5	Grayson Crest, (1-70)	LS4 2UB	Kirkstall
	Holborn Towers, (1-99)	LS6 2QD	Headingley & Hyde Park
	Marlborough Towers (1-100)	LS1 4PQ	Little London & Woodhouse
	Potternewton Heights (1-88)	LS7 3DD	Chapel Allerton
	Queensview, (1-101)	LS14 6PH	Killingbeck & Seacroft
	Whincover Grange, (1-49)	LS12 5JJ	Farnley & Wortley

- 6 Working with the contractor, the planned benefits for the scheme include:
 - a. Improved thermal comfort levels and controllable heating
 - b. Reducing carbon emissions by an average of 64%, estimated at 656 tonnes CO² per year
 - c. Improved energy efficiency, taking all flats to SAP band D or above
 - d. Reduced fuel poverty
 - e.
- 7 Of the six blocks discussed in this report, four already have sprinklers installed (Potternewton Heights, Holborn Towers, Queensview and Marlborough Towers). Sprinklers for the remaining two blocks, Whincover Grange and Grayson Crest, will be designed and installed in accordance with Appendix C – Sprinkler Specification of the Clustering for Warmth tender.
- 8 There is also a commitment to achieve additional social value as part of this contract and details of this can be found in confidential Appendix 1.
- 9 An Equality, Diversity, Cohesion, and Integration (EDCI) impact assessment was undertaken previously for this scheme and can be found with the key decision in the background documents of this report.

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

- a. Health and Wellbeing Inclusive Growth Zero Carbon

- 11 The scheme will help 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, and commitments to invest in the local economy. Details can be found within the confidential Appendix 1.
- 12 The scheme will directly address the Climate Emergency. Environmental benefits from the scheme are outlined in paragraph 4 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, details can be found in confidential appendix 1. A climate impact assessment has been carried out for the wider scheme.
- 13 This scheme supports Health and Wellbeing, through its benefits to residents of more controllable heating, increased comfort, and reduced heating costs.

What consultation and engagement has taken place?

Wards affected: Kirkstall Headingley & Hyde Park, Little London & Woodhouse, Chapel Allerton, Killingbeck & Seacroft, Farnley & Wortley

Have ward members been consulted? Yes No

- 14 Local residents and the wider community have been engaged throughout the design phase of the works, working closely with Housing Management. Resident communications include written, face-to-face and telephone mechanisms to ensure maximum outreach throughout each stage of the project. This consultation is not statutory.
- 15 Leaseholders will be given the option to buy into the project meaning a formal consultation period does not apply.
- 16 Initial ward member consultation took place in July 2020 on the high-level plans for the six district heating clusters and the expected benefits of the project. Further consultation and engagement with ward members have since taken place, and this will continue throughout the construction period.
- 17 The Planning department have been consulted and the works are currently going through the planning process. It is not expected that there will be any objections or limitations placed on the project from a planning perspective. Measures will be put in place to protect existing vegetation and guard against any environmental damage in line with British standards during the external works.

What are the resource implications?

- 18 The feasibility budget estimate was based on a biomass boiler system to provide heat to the high-rise blocks. The biomass system has lower capital expenditure but far greater operating and maintenance cost due to the more regular inspections and delivery of fuel. Through the design stage it was agreed to use air source heat pumps as the preferred technology. The air source heat pump system has a higher upfront capital cost, but much lower maintenance cost in the longer term, overall offering better value for Leeds City Council and the tenants. The

commercial team have confirmed this contract value represents the best value for money for the proposed contract. Authority to spend was secured as part of the July 2020 key decision.

- 19 A detailed analysis and review of the tendered price of the works has been carried out by the Strategy & Investment commercial team. They are satisfied that 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.
- 20 Ove Arup's International Limited will continue to support the project team and will work with the Council to ensure value for money is achieved, and the contractor meets the intended benefits.
- 21 Cluster 5 did not form part of the original ERDF funding bid as it was felt that the construction programme would not meet the funding requirements deadline of March 2023. The contractor has accessed ECO4 funding of £1.5 million to reduce the capital costs from £9.3million to £7.8m. Funding of £7.8m has been allocated for this contract from the Housing Revenue Account.
- 22 Due diligence with regards to the financial position of the contractor has been undertaken, any required financial guarantee arrangements have been addressed by the project team, and where applicable are included within the contract documentation.

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

The key risks for this scheme are the following:

- 23 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. These are regularly reviewed with the contractor.
- 24 Supply Chain: Due to nationwide supply chain challenges for building materials there is a risk of delays in the construction of the heating networks and that construction may take longer than anticipated. This will be regularly reviewed with the contractor and mitigating action will be put in place where deemed appropriate.

What are the legal implications?

- 25 This report is a Significant Operational Decision and not subject to call in. It is a subsequent decision of the key decision ref D52105 to undertake the procurement. The key decision report can be found in the background papers.
- 26 Other than confidential Appendix 1, there are no grounds for keeping the contents of this report confidential under the Access to Information Rules.
- 27 The information referred to in paragraph 19 (above) is contained in Appendix 1 of this report and 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 several individual companies.
- 28 A Data Protection Impact Assessment was undertaken for this scheme prior to the key decision. 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.

Options, timescales and measuring success

What other options were considered?

- 29 The March 2021 contract award for design identified Cenergist Limited as the preferred contractor and the Council has worked solely with them to finalise suitably robust designs for each of the clusters.
- 30 The design contract is structured so that regular feedback can be given to the contractor on their approach throughout, and designs for this cluster could not move forward without the Council's agreement. The contractor has produced gateway reports throughout the design period which have been discussed and amended where appropriate, to achieve Council approval.

How will success be measured?

- 31 The key benefits noted in this report will be monitored and managed. The wider scheme has a benefits plan which is reviewed at all key stages of the project.
- 32 As part of this, various measurements related to energy efficiency, such as SAP ratings and carbon emissions, have been 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.
- 33 Additionally, residents will be interviewed to understand the impact on their comfort levels as well as their energy bills, both before and after completion of the works.
- 34 A social value offer has been made by the contractor and will be monitored throughout the life of the contract.

What is the timetable for implementation?

- 35 The works are planned to start on site in early 2023 and are anticipated to be completed by August 2023.

Appendices

- 36 Appendix 1 - Tender Analysis Report (confidential)

Background papers

- 37 [Key decision Report – Authority to Proceed for this scheme](#) (July 2020)
[Tender Evaluation Results & Contract Award for Design Activity](#) (March 2021)