

Authority to enter into a grant agreement, inject grant funding, approve expenditure, and procure a contractor for new heating, hot water and fire sprinkler installations at Clayton Court and Grange.

Date: 19th June 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

This report seeks authority to enter into a grant agreement, inject grant funding, approve expenditure, and procure a contractor for new heating, domestic hot water and fire sprinkler installations at Clayton Court and Grange.

Recommendations

The Director of Communities, Housing and Environment is requested to:

- a) To authorise acceptance of the awarded SHDF grant
- b) To approve entering the requisite Memorandum of Understanding with the Government to utilise the funding
- c) To inject SHDF funding of £938,823.53 into the Capital Programme in respect of this project
- d) To authorise total expenditure of £3.3m from the Housing investment programme in 2023/24
- e) To approve the procurement of an external contractor for the works via a direct call off from the Procurement for Housing (PfH) Framework.

What is this report about?

This project will improve the energy efficiency as part of the climate emergency agenda to two high rise buildings through the replacement of inefficient electric storage heating and replace with a Communal Ground Source Heat Pump system. To minimise long term disruption to residents, a fire sprinkler system will also be installed alongside the new heating systems.

This project is part of the Council's strategy to improve energy efficiency, reduce fuel poverty, and provide good quality, affordable homes.

The Council successfully applied to Wave 2.1 of the government's Social Housing Decarbonisation Fund (SHDF) for grant funding to support the delivery of this project and received £938.8k.

What impact will this proposal have?

1 Clayton Court and Grange in West Park are two high-rise buildings comprising of 120 flats with a mix of one and three bedrooms.

2 The Claytons estate was an early priority in our decarbonisation investment programme due to its position within one of the most deprived areas of Leeds and the very inefficient performance of the concrete Wimpey high rise blocks prior to any improvements being undertaken. The poor baseline performance of these blocks and greater risk of fuel poverty among residents in a deprived area caused us to prioritise them, in line with the worst first principle. Our approach has been in line with fabric first: we have already fully insulated them and are now undertaking low carbon heating improvements.

The modelling shows a very positive outcomes to these properties in terms of energy efficiency, decarbonisation, and benefits to tenants. The average SAP score will increase by 13 points from 60 to 73, going from the middle of EPC band D to the middle of band C. All flats will end up at EPC Band C following the heating upgrades which is a cost-effective way to meet SHDF requirements. This project will directly benefit residents.

The project will reduce carbon emissions, improve energy efficiency, improve the thermal comfort for residents, and dependent on usage, it will reduce heating costs.

3 The Preferred Bidder will also be submitting their commitments to achieve additional social value as part of the tender.

4 An Equality, Diversity, Cohesion and Integration (EDCI) impact assessment has been undertaken for this project and is attached as Appendix 1. There are not expected to be any negative impacts in relation to the planned works.

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

Health and Wellbeing

Inclusive Growth

Zero Carbon

5 This project supports tackling the Climate Emergency, a Climate Emergency Impact Assessment has been carried out which recognises that the project supports this ambition by improved energy efficiency and reducing carbon emissions within the council's housing stock.

6 The heat pumps will replace old and inefficient electric storage heaters, cutting tenant fuel bills by an average of £600 and saving 255,868 kWh through project delivery, equivalent to 2,244 kWh per home per annum.

7 On completion, the energy efficiency of all flats will improve by a minimum one SAP band.

Key benefits are providing:

- Improved residents heating.
 - Improved wellbeing and comfort from being able to control their heating more accurately.
 - Improved Health and Safety of residents with suppressant fire sprinkler system.
- 8 The project will support Inclusive Growth through the social value commitments from the contractor. These will be monitored through the Social Value Engine.
- 9 This project supports Health and Wellbeing, through its benefits to residents of an improved living environment, increased resident's wellbeing and reducing fuel poverty.

What consultation and engagement has taken place?

Wards affected: Kirkstall		
Have ward members been consulted?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

- 10 Residents are to be consulted about the works in June 2023. Further engagement with residents will take place and local consultation workshops will be planned as appropriate. A technical officer is allocated to the project to manage communication and address any resident queries or concerns. Full residents' engagement will commence once an approach has been agreed with the contractor.
- 11 There are six leaseholders in total across the two buildings. Formal leaseholder consultation will not be undertaken as these works will not be imposed on the leaseholders. Leaseholders will be given the opportunity to 'buy-in' to the scheme in a private arrangement between the contractor and the leaseholder.
- 12 Initial consultation has been undertaken with ward councillors for Kirkstall and further detailed consultation will occur throughout the project's planned delivery. The Executive member for Environment and Housing has also been consulted on this project and is supportive.
- 13 Advice has been secured from Procurement, Finance, Commercial and Legal Services, who have reviewed the proposals and support the planned decisions.

What are the resource implications?

- 14 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.
- 15 The contract will be managed by the Housing Leeds Strategy & Investment team and a contract management plan will be developed in line with Contract Procedure Rule 3.1.16.
- 16 The project will be funded by £2.36m from the Housing Revenue Account (HRA) and £0.94m of Social Housing Decarbonisation Fund (SHDF); Authority to Spend the full £3.3m is being sought as part of this report.
- 17 Grant funding of £938.8k has been approved as part of SHDF Wave 2.1 and approval to inject this into the housing investment programme is sought as part of this report.

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

- 18 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 a contractor is in place the council will work with them to review risks regularly. Notable key risks include: -
- 19 Health & Safety – The health and safety of residents, staff and its contractors are the council's priority. In undertaking this project site visits or activity where entry to a residents property is required, will be carried out in line with government guidance and site-specific risk assessments.
- 20 Timescales for delivery – The project team is working to deliver against The Social Housing Decarbonisation Fund's timescales.
- 21 Over budget – The risk of the project exceeding the allocated budget has been managed by the production of robust costings taking in to account the current construction market conditions.
- 22 Market challenges and contractor interest – The construction market is currently experiencing a highly busy period, this means contractors are experiencing limited resourcing capacity to tender for works, leading to low contractor interest on projects.
- 23 Procurement challenge – This is being managed through ensuring the procurement process is being conducted in line with internal and wider governmental rules and regulations. A fair, transparent and robust competitive tender process will be followed to ensure the risk of procurement challenge is mitigated.
- 24 The project team will incorporate previous lessons learnt from other projects, including putting in place a clear communications strategy to support access to properties and to keep residents and wider stakeholders updated on progress.

What are the legal implications?

- 25 The decision set out in this report is a key decision, and subject to call-in.
- 26 A resulting decision following the procurement activity will be the significant operational decision to award the contract, with the fixed price and contractor for the works.
- 27 A Data Protection Impact Assessment has been undertaken. The contractor will be a data processor, and appropriate council information and governance requirements will be included in the contract and will be part of the contract management activity.

Options, timescales and measuring success

What other options were considered?

- 28 The alternative options were to:
 - a) Do nothing. This was disregarded as the work must be undertaken to ensure Council properties are wind and watertight in line with landlord obligations.
- 29 The recommended procurement route is through an existing external procurement framework. A summary of the procurement options considered are as follows:
 - a) Option 1 – Delivery by Internal Service Provider, Leeds Building Services (LBS): Discounted – LBS was consulted as required by Contracts Procedure Rule 3.1.4 with regards to delivery of the scope of works. LBS have declined this work as it is not aligned to their core activity, therefore a procurement is required.
 - b) Option 2 – Procure LCC contract via a restricted above threshold tender route: Discounted - This route could provide an opportunity to test the market through a competitive exercise using a bespoke specification, pricing document, robust shortlisting, and an evaluation process to determine the best value for money solution. This would include initially

advertising to the open market via YORtender and carry out a pre-qualification process (PAS91) with bidders being evaluated through a price / quality evaluation methodology. This route would require an estimated 4 months more than option 3; therefore, on this occasion it is not recommended.

c) **Option 3 – External Frameworks - Recommended**

Several externally procured above works threshold compliant frameworks have been considered including the more specific energy efficient Procurement for Housing. These have suitable lots with relevant contractors on them, all have already had their technical and financially capacity and ability evaluated and been assessed a competitive tendering exercise.

Consequently, procurement timescales can be reduced as there is no need for pre-qualification (PAS91) or shortlisting when using an established framework.

When choosing between the framework options, the factors to consider include the ability to deliver these priority works within the funding timeframe, the availability of contractors who have successfully delivered similar works recently, the ability to deliver on time, to a high quality and standard, and provide value for money.

For this project the Procurement for Housing framework (PfH) best fits these criteria, has been used in recent times successfully and given the circumstances of this scheme is the preferred framework, using a direct call off mechanism.

How will success be measured?

- 30 This project has a benefits plan which is reviewed regularly at key stages of the project.
- 31 Key benefits will include improved resident satisfaction, warmer homes, and improved thermal comfort levels. These will be measured by PAS2035 regulatory survey questionnaire post installation works, and through the housing Tenant Satisfaction Measures surveys.
- 32 The Social Value Engine will be used by the Council and the contractor to measure and monitor the impact of the additional social value measures implemented on this contract.

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

33 The estimated timetable for implementation is as follows:

Task/Milestone	Date
Contract awarded	July 2023
Mobilisation period	July – August 2023
Contract Start date	August 2023

Appendices

Appendix 1 - Equality, Diversity, Cohesion and Integration (EDCI) impact assessment

Background papers

[LOFKD](#)