

Housing District Heating Clusters: award of a construction contract for the scheme to install a communal Ground Source Heat Pump system at The Claytons

Date: 09th August 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 two high rise Council housing buildings, Clayton Court and Clayton Grange to improve energy efficiency as part of the climate emergency agenda. The works to install a district heating system supplied by a closed loop ground source heat pump system is planned to reduce resident's fuel costs, improve their ability to control heating, and reduce carbon emissions. A fire sprinkler suppression system will also be installed.

Recommendations

- a. The Director of Communities, Housing and Environment is recommended to approve the award of a construction contract for the installation of a communal Ground Source Heat Pump system to provide heating and hot water and a fire suppression sprinkler system, to Clayton Court and Grange for the sum of £3,294,317.93, to Cenergist Limited.
- b. The contract will start on the 4th September 2023 and end on the 31st March 2024.

What is this report about?

- 1 This report seeks approval to award a construction contract to Cenergist Limited for the two high-rise buildings at Clayton Court and Clayton Grange, following the evaluation of their design proposals and tender submission.
- 2 Delivery will be managed by the Strategy & Investment team of Housing Leeds.

What impact will this proposal have?

- 3 This scheme to install new heating and hot water with a communal ground source heat pump is planned to reduce resident's fuel costs, improve their ability to control heating, and reduce carbon emissions.
- 4 The blocks that are included are detailed below:

Scheme	Block Name	Postcode	Ward
Claytons	Clayton Court	LS16 5EH	Kirkstall
	Clayton Grange	LS16 5EQ	Kirkstall

The three impacts to be considered and calculated on this project are: Carbon impact, Resident energy bill impact and EPC impact.

Objective	Target
Raise EPC	D
Increase installed renewable energy	0.8-1.2 MW
Reduce resident fuel bills	10%
Reduce annual CO ₂	950 t
Improve Environmental Impact Rating	1

- 7 To take advantage of having similar works i.e. core drilling for pipework and to minimise disruption to residents a fire suppression sprinkler system will be designed and installed in accordance with Appendix C – Sprinkler Specification V1.8.
- 8 There is also a commitment to achieve additional social value as part of this contract. Further details of this will be known when consultation has taken place with the Local Housing Office and the residents in conjunction with the Leeds Social Value team.
- 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.
- 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. A climate impact assessment has been carried out for the 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

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 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.
- 16 Initial ward member consultation took place in April 2023. 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 procurement was 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.
- 19 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.
- 20 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.
- 21 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 was sought as part of the authority to procure report.
- 22 The Clayton's total is 2.82% over the pre-tender estimate. The reason for the increase is due to the inclusion of the 2.5% Procurement for Housing fee, equivalent to £80,192.74, which has been apportioned evenly across all work packages. The remaining £10k disparity is down to slight variations in subcontractor quotations and site prelim costs. Notably, a reduction in

domestics, drilling, headering, and design costs negated by an increase in heat pump, risers, and sprinklers costs.

- 23 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:

- 24 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.
- 25 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.
- 26 Social Housing Decarbonisation Funding requirements state that the contract should be completed by 31st March 2025. Any significant delays in construction will be managed and reported regularly to DESNZ on a monthly basis.

What are the legal implications?

- 27 This report is a Significant Operational Decision and not subject to call in. It is a subsequent decision of the key decision to undertake the procurement. The key decision report can be found in the background papers.
- 28 Other than confidential Appendix 1, there are no grounds for keeping the contents of this report confidential under the Access to Information Rules.
- 29 The information referred to in paragraph 21 (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.
- 30 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?

- 31 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 procurement process was required.
- 32 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 decarbonisation strategy.

33 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 a vetting process and OJEU compliant competitive procurement exercise which ensures all contractors will have the required technical capabilities, financial standing and capacity to complete the contract. The contractor, Cenergist Limited, has the technical ability and capacity to provide these works to the required timescales, to budget, to a high standard of quality and provide value for money.

How will success be measured?

34 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.

35 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.

36 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.

37 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?

38 The works are planned to start on site on the 4th September 2023 and are anticipated to be completed by 31st March 2024.

Appendices

39 Appendix 1 - Tender Analysis Report (confidential)

Background papers

[Council and democracy \(leeds.gov.uk\)](https://leeds.gov.uk) Key Decision Report D56501 (June 2023)