

Report for: Cabinet

Date of Meeting:	18 March 2021
Subject:	Essential heating upgrade works for Sheltered schemes: Cornell, Meadfield and Alma Court
Key Decision:	Yes -affects two or more wards
Responsible Officer:	Julian Higson - Divisional Director of Housing
Portfolio Holder:	Councillor Philip O'Dell, Portfolio Holder for Housing. Councillor Adam Swersky, Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	Roxbourne, Harrow on the Hill
Enclosures:	Appendix 1: Funding Streams

Section 1 – Summary and Recommendations

- 1.1 This report asks Cabinet for authority to approve the commencement of the procurement process (via mini tender) and delegated authority to award a contract or contractors to deliver decommissioning and heating upgrade greener energy Ground Source Heat Pumps (GSHP) for three of the Council's Sheltered Housing schemes (Meadfield House, Cornell House and Alma Court).

The works will take place at Cornell House and Alma Court in 2021, with Meadfield House works being programmed in 2022. The value of this contract for all 3 schemes is estimated at £1,679,670.

Works to Cornell House and Alma Court (totalling £1,160,944) will be delivered in financial year 2021/22 whilst works to Meadfield House (totalling £518,726) will be commissioned in 2022/23.

This route will enable the Council to: -

- Contribute to the Council's policies of reducing carbon emissions and reducing fuel poverty.
- Carry out its statutory duties as a social housing landlord to provide continued comfort and safety for residents residing in Sheltered scheme accommodation.

Recommendations:

- 1.2 That Cabinet:

1. Approve the request to commence the procurement process (via accessing a legally compliant Framework Agreement) for a contractor (s), to carry out decommissioning work and proceed with the implementation of Ground Source Heat Pumps to Cornell House and Alma Court in this financial year (2021/22) and Meadfield House in 2022/23.

2. Delegate authority to the Corporate Director of Community, following consultation with the Portfolio Holder for Housing and Employment, Portfolio Holder for Finance/ Commercialisation and, Director of Finance to award contract(s)) for the implementation of Ground Source Heat Pumps to Cornell House, Alma Court and Meadfield House.

Reason:

1. Due to the estimated value of the proposed contract award we require Cabinet authorisation to comply with the Council's Contract procedure rules.
2. We seek approval so that we are able to carry out works required to our Sheltered blocks in alignment with our Climate Change Strategy and to continue to provide this essential service to meet our statutory duties as a landlord across Sheltered dwellings within the Borough and comply with Health and Safety Regulations.

Section 2 – Report

2. Introductory paragraph

- 2.1 The Council has 17 Sheltered accommodation buildings that house the Borough's most vulnerable residents. We have 17 sites that are served by communal boilers.

Cornell House, Meadfield House and Alma Court are all sheltered accommodation sites totalling 97 properties within the borough. They have experienced recent and increased maintenance issues with their current 30-year-old communal gas heating systems.

- 2.2 Harrow Council has declared a Climate Change Emergency with an ambition to be carbon neutral by 2030. In tandem with the need to change the communal gas boilers at these sites, is the need to reduce our carbon emissions and reduce fuel poverty within Harrow.

- 2.3 Within this strategy it is quite clear that a significant part of achieving the Council's ambitious targets is to deliver improvements in Harrow's housing stock. It is estimated that 73% of carbon emissions are from homes in both social and private housing sectors.

- 2.4 As well as our commitment to our Council wide Climate Change strategy it is important for the Council to provide residents with:

- sustainable, clean renewable heating options which not only promote comfort and improved health outcomes, but low carbon options will also improve air quality locally.
- reduction in energy bills and making an impact on the Council's policy of reducing fuel poverty in Harrow.

- 2.5 In addition, due to the Council's statutory obligations as a social housing Landlord, it is imperative we have a contract in place to meet our landlord requirements to ensure the health and safety of our residents, including those that are elderly and vulnerable.

- 2.6 The Council recently commissioned a survey of all communal boiler stock and the findings indicate that these 3 sheltered sites will require replacement over the next 12 months. If we are to achieve our ambition to reduce carbon emissions and fuel poverty it is vital that we begin to invest in the technology to do this rather than opting for like for like gas replacement.

- 2.7 It is quite clear that as our communal gas boiler stock requires replacement, the Council should be replacing with greener alternatives. Ground Source Heat Pumps represent one of the options with the best payback which will be discussed in more detail within the body of the report.

Our recommendation is to replace the current gas heating systems with ground source heat pumps:

- It is the most carbon efficient option.
- It reduces our residents fuel bills.
- While upfront capital costs for GSHP are higher, lifetime costs are lower.

2.8 The installation of new technology in these three sheltered schemes sites is a first on such a scale for Harrow's housing stock, but it should act as a catalyst to future projects in relation to other suitable properties that are owned by the Council. We have engaged with Kensa Group, who are specialist consultants in heat pump technology, and they have provided feasibility studies for the 3 schemes.

3.0 Options considered

3.1 Options Considered - for replacement

(a) Like for like communal gas replacement

This is the lowest cost option in terms of short-term capital costing. However, even given this consideration we would be required to replace and decommission the gas infrastructure at some point and probably sooner rather than later. This option would also not meet the Council's local, regional and national carbon reduction targets, and does not contribute to the Council's Climate Change Strategy.

(b) Modern electric storage heating

This is a good option when considering initial upfront capital costs. However, we would still need to factor in the decommissioning for the current gas infrastructure. While this is a more carbon friendly option than gas, it is less efficient than current heat pump technology and is less likely to attract grant funding. Also, importantly this may mean that our residents bills are more expensive.

Although modern storage heaters are more energy efficient, the heat pump technology measures are 200% more efficient in terms of heat output and carbon reduction, whilst offering more savings to residents.

As an example:

Electric storage heat per 1 unit = 1 unit of heat generated
(15p per unit).

Ground source heat pump per 1 unit = 3 units of heat therefore
300% heat generated
(5p per unit).

(c) Air Source Heat Pumps (ASHP)

This option has been seriously considered for our sites. This is an excellent carbon reduction solution for those sites where ground space is limited. However, while ASHPs significantly reduce carbon they are not quite as carbon efficient as GSHP.

Lifetime maintenance costs, while less than for replacement gas, are more than GSHP.

Also, at 15 years they have a 25% less expected lifespan than GSHP (20 years) and maintenance costs of individual units are higher. This means that the lifetime costings for ASHP are greater, even if the extra potential grant funding for GSHP is excluded.

ASHP maintenance can range from £10k-£12k in terms of upkeep. For example, at Meadfield House, there would be a requirement for 6 ASHP. Air source systems require yearly intrusive maintenance at approx. £250 per unit per annum (this does not include parts etc.) which equates to an annual total of £1,500.00.

From the detailed design work, we have received back from Kensa, ASHP running costs have been calculated at £2062 per unit (x 6) equalling a total of £12,372 per year.

So again, as per the option above, they will still require the decommissioning of the current gas infrastructure.

ASHP systems also require replacement approximately every 12 years and individual billing would be a requirement for each flat due to additional electricity costs running the systems. Taking the above into account, it would be beneficial to seek permission for a shared ground loop array and associated drilling.

(d) Ground Source Heat Pumps (GSHP)

As stated in **Section 2**, this is our preferred option:

GSHP requires more upfront capital investment than other options. However, the lifetime costings are more attractive over 50 years. GSHP technology also performs better in carbon reduction terms and results in lower bills for residents.

Annual servicing costs are also less, at an assumed £50 per property when compared to ASHP (£250).

No annual safety inspection

As there is no combustion cycle, there is no requirement for an annual safety inspection, so servicing can be reduced to an annual visual inspection.

Installation of boreholes

As part of the project we are required to install bore holes at the chosen sites as preparation for successful installation. The bore hole is designed to be sustainable, therefore the replacement cost at the end of the anticipated 20-year lifetime of the heat pumps is low. In fact it is expected that the bore hole should be sustainable for the replacement of at least 4-5 heat pumps.

The boreholes installed will have a design life of 100 years and there is an upfront cost to bear, that is similar to gas mains.

By making the upfront investment now, replacing the heating in around 20-25 years will only need replacement of the heat pump itself which is around £2,700 per unit. An illustration of this initial outlay versus savings over time can be seen at Table 2 GSHP whole life costing.

(e) Do nothing

This is not an option as the communal gas boilers are approaching the end of their useful life.

3.2 Options Considered- Procurement

(a). Open tender

Engaging in an open tender will allow for wider competition, and competitive pricing. However, we also note that the current market for these services is limited. A full tender will also increase the timescale of the project and we would like to proceed with this procurement as quickly and efficiently as possible. An open tender would also result in an increase in officer time and resource associated with running a tendering exercise. In addition, we have already lost time in procuring this project due to the inevitable delays and immediate responses in other areas of the service that Covid has required.

(b). Direct award to a contractor to carry out the works

This option has been considered, but an award of this amount would need to demonstrate that we have had competition to ensure that we have procured the best value for money for the proposed works.

(c). Drawing down from a specialised framework via a Mini tender

This option is the preferred route as this is a new area of work for Harrow Council and as such, benefit can be gained by liaising with specialists in this field.

As Harrow have not undertaken works of this scale or scope before, a certain degree of technical guidance on considerations and specification can be provided from agencies that are experienced in this work and have carried it out many times before.

We understand that there are specialist purchasing frameworks. Contractors on the framework will have gone through a rigorous

selection process and will comply with the Council's contract procedure rules.

On balance time constraints and the imminent nature of work to carry out at the sheltered sites, drawing down from a specialised framework is the preferred route to market. Also due to the specialist nature of the works this would require a design and build contract procurement route. Accessing frameworks may levy an administration fee, so cost will be reviewed against overall value for money and current contract costs with our procurement partners.

(d). Do nothing

Doing nothing is not an option, as failure to have a contract provision in place for the delivery of this integral service could result in a breach of Health and Safety Regulations and our statutory responsibilities as a social housing landlord.

Failure to award the contract and re-procure appropriately means that the Council will be in breach of our internal governance policies and Contract Procedure Rules.

The recommended route is to proceed with the installation of Ground Source Heat Pumps within the sheltered blocks via a mini – tender from a legally compliant Framework Agreement.

4. Background

- 4.1 The Mayor of London has set out an ambition plan to achieve net zero carbon by 2030 and to have lowest air pollution of any major city. As previously mentioned, in line with this, Harrow Council have called a Climate Emergency and are working to reduce carbon emissions within the borough.
- 4.2 The Council's Climate Change strategy sets out plans for our contribution as a Council to tackle climate change, whilst also reducing energy bills, improving the health and wellbeing of our residents and saving our environment.
- 4.3 The GLA reports that Harrow's total carbon emissions in 2015, were around 770 kt CO₂e. Harrow's main emissions sources are domestic heat and road transport.

Some actions highlighted in Harrow's strategy includes:

- Energy efficiency improvements in existing buildings
- Decentralised generation of heat or electricity such as renewables

- 4.4 As stated above in Section 2, the recommended route is the installation of Ground Source Heat Pumps at the 3 sheltered schemes.

- 4.5 Harrow Council commissioned consulting group Kensa to produce initial feasibility reports, and then requested detailed designs for the three sheltered scheme sites, to provide estimates of full project costs.
- 4.6 The Planned Investment Team authorised the design work to provide the scope for decommissioning and design for the installation of GSHP technology across the sites. This included advice on the insulation of the building so that it's more airtight and additional electrical works for the incoming mains to the building.
- 4.7 GSHP makes use of solar energy stored in the ground to provide one of the most energy-efficient ways of heating buildings.

GSHP are suitable for a wide variety of buildings and are particularly appropriate for low environmental impact projects.

The Energy Savings Trust recognises that GSHP provide the lowest cost heating and hot water solution. They work by burying pipework underground to collect low grade, renewable energy from the ground. The heat pump itself uses a refrigeration process to upgrade this heat to temperatures more useful for space and water heating.

- 4.8 Overall, the installation of GSHP will result in the following outcomes:
 - a. **Tackling fuel poverty** by increasing low-income household's energy efficiency rating and therefore reducing their energy bills;
 - b. **Supporting clean growth** and ensure homes are thermally comfortable, efficient, and well-adapted to climate change.
 - c. **Supporting economic resilience and a green recovery** in response to the economic impacts of Covid-19, creating thousands of jobs; and
 - d. **Using learnings from the delivery experience** to inform the development and design of further energy efficiency and heat schemes.

5. Current situation

- 5.1 From the detailed design work for Ground Source Heat Pumps that was carried out by Kensa, the indicative costing has come back as follows. This includes estimates for all the preliminary works that need to ensure a successful installation at the sites. Kensa have also reported that the levels of insulation at the properties are good in terms of preventing heat loss.

Site	Alma	Meadfield	Cornell
No. of properties	35	31	31
Gross Price Excluding VAT	£652,950	£518,726	£507, 994

Note – the above costs include all plantroom removal etc @	£21,500	£22,500	£21,500
Per property Average	£18,656	£16,733	£16,387

5.2 This is a total of £1,679,670 in total and a breakdown of costing will be discussed in more detail at Section 18 (financial implications) of the report.

The works to Alma Court and Cornell House will take place in financial year 2021/22. The work at Meadfield will commence in 2022/23. Although not showing signs of immediate need of replacement, the initial communal stock survey shows that it is the same design as Alma Court and Cornell and will ultimately be requiring replacement imminently. However, should there be capacity within financial year 2021/22 Meadfield will be brought forward.

5.3 A detailed scope of works has been issued for each site as part of the detailed design briefs.

The Council will ensure that the tender documentation incorporates the specific scope to inform the design work and provide appropriate information to any tendering suppliers, of what is expected within this project. Consideration of project management from start to finish (i.e. decommissioning, sub contractual management as well as the associated groundworks, and resident support) will be addressed.

It should also be noted that the available areas for boreholes at Meadfield House are limited and as such approval is essential for the car park area and road entering the building. We are in discussions with Highways to obtain the relevant permissions.

If clearance is not given, then a possible alternative is to utilise multiple (x6 min) air source heat pumps which will be sited on the roof area near to reception and feed the individual heat pumps that will be installed in the individual units.

5.4 The funding for the 2 schemes at Alma Court and Cornell House in 2021/22 and Meadfield in 2022/23 is to be agreed by Council as part of the HRA Capital Programme.

5.5 A full breakdown of funding streams is available in Appendix 1. The Renewable Heat Incentive (RHI) will not be available from March 2021.

We do intend to seek other grant funding opportunities to subsidise this work but the funding landscape is changing rapidly and can be limited in terms of qualifying criteria. The Government will announce details of the Social Housing Decarbonisation Fund shortly. As previously stated, we believe that this scheme would also likely benefit from the Clean Heat Grant. While funding to offset capital and lifetime costs is welcome, it should also be noted that this is fluid as streams come on line and or are

withdrawn (e.g. RHI) with the potential to be replaced, and this poses a challenge in evaluating the Councils' eventual contribution.

5.6 The Clean Heat Grant is part of a bigger Clean Growth Strategy, which was first published in 2017. The idea of the strategy is to decarbonise the UK's heat and phase out high-carbon fossil fuel installations in the 2020s for off-gas properties. Scheduled for commencement in 2022 and is currently the Government's successor scheme to the RHI. As with the RHI initiatives, there will be a requirement to provide evidence of works installed, and at this time we are awaiting further guidance to review if we are able to draw down from this grant funding retrospectively, once Government consultation/ grant conditions/scope is confirmed.

5.7 It is important to note that this funding or contribution **is not guaranteed** and *not integral* to the recommendation that we are putting forward to Cabinet.

6. Why a change is needed

6.1 The communal gas boilers at Cornell House, Meadfield House and Alma Court are approaching renewal.

6.2 We believe that we are now at a point in time, where like for like fossil fuel replacement is not an appropriate solution in meeting our local policy aims as well as regional and national targets. To achieve this, we would still need to invest in decommissioning the current gas infrastructure.

6.3 The recommendation of GSHP at these 3 sites will deliver the most carbon efficient, affordable fuel, lowest lifetime cost.

6.4 These works will still need to continue even without external grant funding. However, should we be successful in securing any funding GSHPs would be most likely to attract funding under the Clean Heat Grant.

6.5 The schemes need a long-term quality installation that ensures the continued safety and comfort of residents, whilst addressing the requirements of the Climate Change strategy. that saves the Council as well as resident money over the longer term.

7. Implications of the Recommendation

7.1 The implications of this recommendation will ensure that:

- The legacy gas heating systems are replaced by more carbon efficient technology. Gas emission vs Heat pump over the year can be seen as a 69.6% saving, amounting to a tonne of carbon saved per unit over 20 years. The Council is ensuring that they are 'future proofing' these heating systems.
- There is a potential opportunity to recover some costs through grant funding, as discussed above.

- Future maintenance of GSHP will be under warranty for 5 years and will not require replacement for in excess of 20 years.
- As this solution requires the least maintenance, it produces the best value lifecycle cost.
- The removal of gas improves the safety of these sheltered properties and they will not require an annual CP12 certificate (also a saving of £100 to £150 p.a. per site).
- GSHP will reduce our sheltered residents bills as for every 1p increase in the cost of electricity, the efficiency of the heat pump means the cost of heat delivered only increases by around 0.3p/kWh.

7.2 Estimated running costs (post installation)

Using Alma Court as a typical example, the total estimated annual running cost for a 1 bedroom flat will be circa £295 per year.

- Residents currently also contribute to communal heating/hot water at a cost of £17.02 per week. Annually this equates to £885.04.
- There are 35 flats in Alma so in total this would be £30,976.40.
- With installation of GSHP the annual communal cost would be in the region of £1035 in total.
- Therefore, each flat would annually pay circa £29 (£1035/35) towards communal heating, which equates to 56p per week.
- It is important to note that this communal cost relates to heating and hot water and does not affect any resident services charge costs that are currently in place.

8. Carbon savings and life cycle costings for heating technologies

8.1 The Carbon CO2 savings that can be achieved by employing a Ground Source Heat Pump in comparison to a gas boiler are substantial.

Based on the in- depth scheme reports, the carbon emission savings over a year would be equal to a tonne per property if installation was to take place.

8.2 From the EPA gov website, a tonne of carbon emissions is equal to 216 Passenger vehicles driven for one year (a breakdown of how this is calculated can be found by visiting <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>).

The tables below display carbon reduction figures, whole life costing and CO2 emissions (*Source Kensa Contracting.*)

8.3 (Table 1) Carbon reduction based on Average consumption – SAP 10 Carbon intensity figures

	Gas		Heat Pump	
Load	Carbon Intensity Gas	kgCO ² per Year	Carbon intensity Electric	kgCO ² per Year
6169	0.21	1524.18	0.233	463.69

Saving		20-year Saving
Year 1 saving kg/CO ²	Carbon Saved	T/CO ²
1060.49	69.6%	21.21

8.1 As can be seen from the table above, in summary it is suggesting that by installing GHSP technology, we will save circa 21 tonnes of Carbon over a 20 year period.

Table 2 – Whole life costing

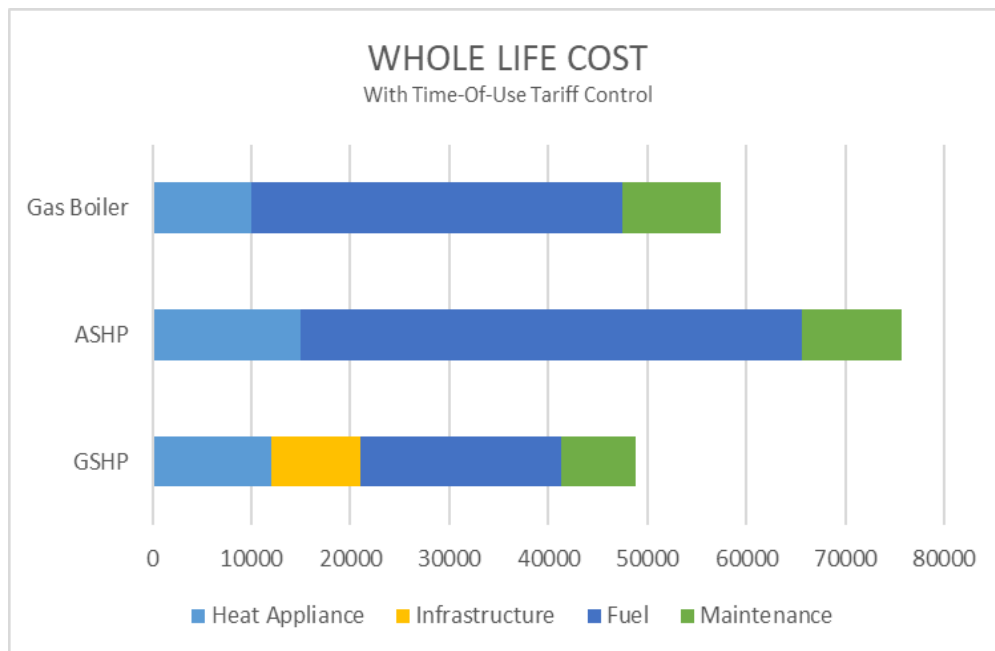
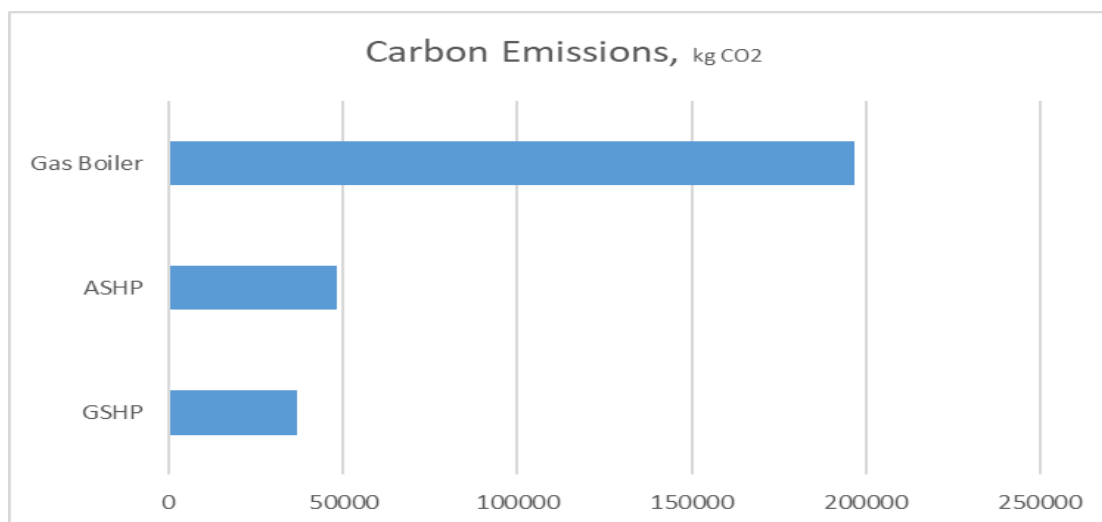


Table 3 – Carbon Emissions



- 8.2 In addition to the above costings, due to significant space occupied by the plant rooms we are exploring the opportunity to recover all of the space to bring this into use for residential purposes.

If we are able to replace the plant room with one additional flat, we will be likely able to generate additional rental income over the 30-year business plan. Further investigations will take place.

- 8.3 In conclusion the recommended path allows us to continue with statutory

duties in our domestic dwellings and Council wide premises whilst allowing us to implement the steps necessary to achieve a robust procurement exercise, and efficient delivery of GSHP within the borough's sheltered schemes going forward.

The recommendation will also allow us to move forward with meeting the objectives of our Climate Change Strategy and achieve the outcomes outlined above.

9. Resources, costs /Staffing/workforce

Resources – the need for a specialist supplier

- 9.1 We require a specialist provider of renewable heating solutions to the social housing sector. This will ensure that we have relevant technical and tenure experience to deliver these challenging schemes. This includes ensuring a robust system design and quality of installation.
- 9.2 With the above provisions this will allow the Council help to mitigate the risk associated with these schemes. It will also help to manage the process and provide appropriate support for our sheltered residents who would be attracted by the advantages but are unfamiliar with the application of the new technology.

- 9.3 We would also require a supplier who could provide training to our existing maintenance providers and staff. The winning supplier would be required to install MCS-accredited (Microgeneration Certification Scheme) heat pumps and has established innovative delivery using high quality devices.
- 9.4 The resident experience - work would need to take place on relevant communications around the introduction of the new technology, with our residents. We would ensure that the winning tenderer has experience of liaising with tenants on GSHP installation schemes using a developed a robust process for handling queries and concerns before, during and post installation. This would help to ensure disruption is minimised and that the operation of the heat pump is clear and simple for the tenant to use.
- 9.5 We would also ensure that we are clearly explaining the reasons for change and managing resident expectations and concerns whilst highlighting the savings and key benefits. We will use the experience and learning of previous local authorities working with our own resident consultation team.
- 9.6 From the resident perspective, GSHPs are able to deliver heating and hot water in the same way as a conventional heating system via radiators and hot water tanks which are controlled using a simple time clock and central thermostat. The units at each site (single boiler cylinder with no back up) and these are all operated with individual thermostats within the flats as there are varied heat requirements for the residents.
- 9.7 Individual room control will be provided by the Thermostatic Radiator Valve (TRV) fitted to the radiators so each tenant has the ability to control temperature on a room-by-room basis and the simplicity of this set-up means control is straightforward and the heat can be delivered as required throughout the day ensuring tenant comfort by providing controls and response equivalent to a mains gas alternative.
- 9.8 Resident education is key to the successful installation and operation of a GSHP system. Appropriate literature would be made available to distribute to tenants, including awareness flyers, 'what to expect guide' operating and troubleshooting instructions, all of which can be jointly branded for distribution to the relevant tenants.

10.0 Ward Councillors' comments

- 10.1 In response to the Council's declaration of a Climate and Ecological Emergency and commitment to achieving Net Zero Carbon Emissions by 2030, Harrow Council has made a commitment to deliver, and enable the delivery of retrofitting Borough housing stock to net-zero levels.

- 10.2 This forms part of a broader ambition to scale up retrofitting, and upskill the local workforce via relevant social commitments by the winning supplier, which will help to start underpinning the growth of the green economy.

11. Performance issues

Performance Monitoring and Key Performance Indicators

- 11.1 Performance is monitored regularly through our Contractor Appraisal Panels that are attended by the contractor, monitoring officers and Residents who work in partnership to ensure that a consistently high-quality service is delivered. This is further evidenced by residents robustly monitoring performance and challenging any issues that have arisen.
- 11.2 Post the tender evaluation and subsequent award, the successful contractor will be managed effectively starting from mobilisation. Performance statistics will be reviewed on a monthly basis and monitored through a combination of KPI's and formal meetings, where any arising issues can be worked through jointly. The resulting data/information will also be uploaded onto SharePoint so that information is more easily accessible to all relevant officers.

12.0 Environmental Implications

- 12.1 It is the intention that the delivery of any contract will contribute to the Council's objectives around social, economic and environmental sustainability. The Council intends to do all it can to ensure that it supports Harrow's economy by buying locally wherever practical and maximise opportunities for local people in employment and training.
- 12.2 Environmental considerations have extra significance as the Council has declared a Climate Emergency. As such the Council will be moving towards ensuring carbon neutrality. The installation of GSHPs within our sheltered blocks will contribute to the reduction of carbon emissions as well as the increased comfort of our residents.
- 12.3 Air quality improvements due to lack of combustion in heat pumps means that we could see carbon reduction emissions reduced by around a tonne per property.
- 12.4 Specific requirements on social, economic and environmental matters will vary according to the value and duration of each contract and will be part of the pre-tender procurement documentation for inclusion in the online tender portal.
- 12.5 The scheme will use products that will help reduce the Council's Carbon footprint. Requirements will be detailed in the specification as part of the procurement exercise.

- 12.6 The contract specification will ensure that tenders provide detailed information about their contribution to the environment and sustainability. The expectation will be for the successful contractor to make contributions during the life of the contract.
- 12.7 Targets will be set and monitored for employing apprentices and offering work placements and training opportunities to local young people.
- 12.8 We will encourage the contractor at tender stage to address how they will seek and create opportunities for Harrow businesses and voluntary and community organisations to compete to participate in our supply chains. Contributing not only to the local economy but reducing 'supply miles'.

13. Social Value benefits

- 13.1 Harrow Council will ensure that the appointed contractor will clearly outline any social value and will be proactive in engaging with Harrow Council's Community Engagement strategy, as well as encouraging tenderers to offer a series of added value initiatives such as providing training and work experience, supporting economic development and tackling environmental sustainability.
- 13.2 This tender is also part of the green recovery and we would expect local training and supply chain opportunities to result from this.

14. Innovation and IT improvements.

- 14.1 As previously mentioned, the measures that will be put in place will enable residents to save more on their heating bills and further reduce carbon emissions. The cold side infrastructure also removes any overheating risk associated with heat loss from high temperature heat mains circulating 24/7 and removed any cost of heat loss from the distribution system.

15. Data Protection Implications

- 15.1 All personal data processed in connection with the contract will be carried out in full compliance with data protection laws including the Data Protection Act 2018 and GDPR.

16. Risk Management Implications

Risk included on Directorate risk register? Yes, Community
Separate risk register in place? Yes – Housing Asset Risk register

The relevant risks contained in the register are attached/summarised below. **Yes**

The following key risks should be taken into account when agreeing the recommendations in this report.

Risk Description	Mitigations	RAG Status
<p>Specific risks that are currently unknown arising upon project commencement</p>	<p>A risk register specific for this procurement will be started from the outset of the process and will be maintained and reviewed by all relevant staff regularly The assigned Project Manager and Housing Asset Management team will ensure there is a risk register in place from programme brief onwards.</p> <p>Specific risks will be monitored and managed on the project as it moves forward. The aim of risk management is to identify business risks and effectively manage them.</p>	<p>Medium/ Moderate</p>
<p>Unexpected costs arising from the project</p>	<p>There is a financial contingency in place to enable unexpected costs to be managed within the overall cost given for the project.</p>	<p>High/ Moderate</p>
<p>Attending Sheltered Scheme sites in an emergency</p>	<p>Appropriate measures are in place to attend sheltered scheme sites to address any issues that may arise, as a priority.</p>	<p>Medium/ Moderate</p>
<p>Procurement of contract – specialist contractors required for the project success</p>	<p>By engaging in a mini tender from compliant specialised frameworks, we are ensuring that the supplier will be skilled and knowledgeable within this area of work.</p>	<p>Low/ Moderate</p>
<p>Poor performance of contractor or their supply chain The chosen delivery agent and their supply chain may not perform as expected</p>	<p>The contract/ tender documents will include provisions to cover the Council in the event of contractor/sub-contractor poor performance. This will include cover for claims from third parties; loss or damage to works, plant, materials and equipment; loss or damage to client property; and death or injury of employees.</p>	<p>Low/ Moderate</p>
<p>Training incumbent suppliers for provision of maintenance</p>	<p>Training will be provided for maintenance of this system by winning tenderer. This will be written into the specification.</p>	<p>Low/ Critical</p>
<p>Gaining VFM during reduced capital investment With reduced capital investment there is a drive to maximise efficiencies</p>	<p>We will ensure that technological improvements in service delivery together with more favourable warranties and grant applications are investigated.</p>	<p>Medium/ Moderate</p>
<p>Winning contractor defaulting on contract obligations</p>	<p>In the event the winning tenderer were to default on their contract obligations in full or in part the contract will transfer to the next supplier on the specialist framework on an interim basis until an alternative provider is agreed.</p>	<p>Low/ Moderate</p>
<p>New Technology and residents - dealing with issues effectively</p>	<p>With new technology being installed we will need to work closely with residents as well as the appointed supplier so that there is sufficient training, confidence and buy in as well as adequate training given to the contractors that are maintaining the individual installation systems.</p>	<p>Very high/ Moderate</p>

Aftercare programme to support resident understanding and adoption of new scheme	Consultation to take place. Addressing concerns and setting realistic expectations To support our residents with a robust aftercare programme and access to continued support.	Medium/ Critical
Company's business continuity plans	We will ensure business continuity plans are in place at mobilisation to deal with immediate and short- term risks and will also look to put contract bonds in place. We will ask as part of the ITT and at mobilisation review with to ensure we are confident of proposed continuity plan.	Low/ Moderate
Access issues to carry out the project – (in line with Covid precautions)	This project is subject to multiple access requirements to each address. Lack of access co-operation would severely impact on project performance and programme delivery, delaying the safety improvement for our residents.	High/ critical
Thorough resident consultation – communication of changes	We will (continue to) hold Resident Consultation meetings to explain the necessity of these works to residents and Scheme Co-Ordinators. A full-time site based Resident Liaison Officer will be provided through the contract and will work collaboratively with our in house Resident Consultation Officers to mobilise awareness amongst residents to encourage co operation. Realistic expectations – differences in current to new system and managing expectations.	Low/ Critical
Delays in project - Covid restrictions and working with vulnerable tenants	Outcome of any resurgence of Covid19 restrictions and impact on the industry remain unknown. This will be reviewed on regular basis to monitor cost impact. Given the vulnerable nature of this resident group, the Council will insist on Covid safe procedures and PPE at all times.	High/ Critical
Failure of a heat pumps	In the unlikely event of a failure, minimum down time – it will take 20 minutes to replace. (2/3 additional heat pumps and trained person can replace (tenant will still have hot water).	Low/ Moderate
Progress and performance – KPI's	Key performance indicators will be put in place to measure and analyse service standards. Deviations will be identified at an early stage and corrective action taken. KPI suites will form part of the ITT and will be reviewed monthly. Any delays and issues will be discussed and resolved at these meetings.	High/ Moderate

Project commencement – the above scenarios would add further governance input, resulting in a delayed start on site, which could cause a deferral in the commencement of the project.

If this were to happen, we would keep all relevant Officers updated with the situation and informed of solutions.

17. Procurement Implications

As set out in the Options considered section above we are:-

- 17.1 We are requesting authority to go to market to undertake a mini competition to award essential heating upgrade works for the Sheltered schemes at Cornell, Meadfield and Alma Court

17.2 The preferred route to market is to draw down from a legally compliant framework agreement.

17.3 The Procurement Team will be involved in supporting the service area in undertaking the mini competition as well as agreeing the Quality/Price/Social value weightings.

17.4 In respect of the recommendation to approve the commencement of re-procurement exercise; the Procurement Team will support the service area and ensure any future award is made in compliance with relevant governance and demonstrates value.

18. Legal Implications

18.1 Legal notes the processes to be undertaken by officers in tendering for essential heating upgrade works for sheltered schemes at Cornell House, Meadfield House and Alma Court.

The Framework Agreement to be accessed must be tendered in accordance with the Public Contracts Regulations 2015 and lists the Council as one of the authorities that can access such Framework Agreement.

Before entering into a Framework Agreement due diligence checks must be carried out to demonstrate that the Council can lawfully access the Framework Agreement and that it is fit for purpose and provides value for money. Officers must follow the process set out in the Framework Agreement in selecting the contractor to undertake the works.

18.2 The Council's Contract Procedure Rules provides that a procurement of the value over £500,000 must obtain cabinet approval which is the authorisation sought under this report.

18.3 HB Public Law should be contacted for any legal assistance in accessing and calling-off from the framework agreement.

19. Financial Implications

The Planned investment team has set a spend value of £1,679,670 across 2 years to address the required works at the 3 schemes.

Financial implications of the proposed decision:

19.1 The HRA capital programme to be approved by Council in March 2021, has provision to enable Cornell House and Alma Court to be funded in 2021/22 and Meadfield House in 2022/23 at a total cost of £1.800m.

19.2 The value of the capital works contract for all 3 schemes is £1,679,670. (Cornell House and Alma Court totalling £1,160,944 and Meadfield House, £518,726).

Additional Costs

This includes a contingency and professional fees-

Staffing costs	£20,000
Contingency	£100,000
Legal costs/ CDM	£5,000

The total contract value requested is £1.805m over two financial years to cover the 3 schemes.

- 19.3 As per paragraph 4.5, the service will seek to secure additional grant funding, and if successful will adjust the funding profile accordingly and seek to bring forward Meadfield House earlier into the programme.
- 19.4 Although there is adequate budget for revenue and capital works, there will be some savings in terms of revenue i.e. reduced maintenance costs (there will be no further requirement for annual CP12 certification and tenants should see a reduction in their annual communal heating charge as per Section 6 of the report).
- 19.5 No leaseholders are affected therefore no Section 20 notices are required to be served.
- 19.6 Expenditure on HRA units is funded entirely from HRA resources with no requirement to borrow and no impact on General Fund.
- 19.7 A review of service charges for non-sheltered dwellings is due to be completed in 2021/22 and the results, following any consultation, will be implemented as appropriate. This will be followed by a review of service charges for sheltered dwellings which may result in adjustments to the charges payable and this will be reported to Cabinet when appropriate.
- 19.8 The contracts put in place will pay the London living Wage (LLW).

20. Equalities implications / Public Sector Equality Duty

- 20.1 The procurement exercise will be designed to deliver existing policies and strategies maintaining the current level of equality in service provision. The contract specification will be very clear on the equalities related duties on contractors, given the wide range of needs of our customers.
- 20.2 An initial Equality Impact Assessment has been prepared specifically for the procurement exercise. This identified no need for a full assessment at this stage because it did not identify any potential for unlawful conduct or disproportionate impact. All opportunities to address diversity-particularly vulnerability for all tenants and will be

addressed through the contract specification and ensure residents receive the same service regardless of but taking into account specific needs. We will address these in our tendering documents and processes. The assessment will be updated as the contract moves forward.

21. Council Priorities

1.Improving the environment and addressing Climate Change

The use of Ground Source Heat Pumps (GSHP) will make a significant improvement in SAP scores for each property.

Within SAP, shared ground loop installations are modelled as a communal heating system. For GSHP heating system distributions losses are set to 1, to reflect the fact that the ground side distribution system has zero heat loss associated with it - as it is operating at ambient temperature.

Within SAP this system will feature a 300% efficiency for heating and hot water by default. As the carbon intensity of electricity is falling with a greater proportion of the capacity provided by renewable sources, GSHPs will look increasingly favourable as the future of heating across the UK.

In order to achieve London's carbon budgets as set out in the Mayor's Environment Strategy, low carbon heating is essential. The energy demand in buildings are expected to reduce and electricity is decarbonising at pace. This means that low carbon heat such as GSHP should be a priority going forward. This is also impacted by the electrical grid decarbonisation which means as the grid becomes greener in the future with more renewable electricity from wind farms and solar panels, the Council will see a further reduction in the carbon intensity of heat powered by high efficiency electric heating such as heat pumps.

GSHPs makes use of solar energy stored in the ground to provide one of the most energy-efficient ways of heating buildings. Solar recharge of the ground is an integral part of ground source energy which is used to increase the efficiency of ground source heat pumps.

Ground source heat pumps are suitable for a wide variety of buildings and are particularly appropriate for low environmental impact projects.

2. Addressing health and social care inequality

The procurement exercise will be designed to deliver existing policies and strategies maintaining the current level of equality in service provision.

The contract specification will be very clear on the equalities related duties on contractors, given the wide range of needs of our customers and especially given the vulnerable nature of this group of residents.

The specification for the contract will ensure that the successful contractor is equipped to provide a high level of customer service to all our residents.

3. Thriving economy

The Council will ensure that the tender exercise will encourage possible suppliers to be proactive in engaging with Harrow Council's Community Engagement strategy.

Section 3 - Statutory Officer Clearance

Statutory Officer: Tasleem Kazmi

Signed on behalf of the Chief Financial Officer

Date: 8th March 2021

Statutory Officer: Blessing Enejo

Signed on behalf of the Monitoring Officer

Date: 12th February 2021

Statutory Officer: Mohamed Alotia

Signed on behalf of the Head of Procurement

Date: 8th March 2021

Statutory Officer: Susan Dixon

Signed off by the Head of Internal Audit

Date: 25th February 2021

Statutory Officer: Paul Walker

Signed by the Corporate Director

Date: 10th March 2021

Mandatory Checks

Ward Councillors notified: YES, as it impacts on all Wards

EqIA carried out: YES - an overarching EQIA was undertaken for the programme Directorate Equality Task Group.

EqIA cleared by: (DETG) Chair

Section 4 - Contact Details and Background Papers

Contact: Rukshan Kariy, Planned Investment Manager, Asset Management, tel. 07927 548 861

Background Papers: None

Call-in waived by the Chair of Overview and Scrutiny Committee

NO