

10 March 2021		ITEM: 15
Cabinet		
Procurement of Housing Capital Programme Delivery		
Wards and communities affected: All	Key Decision: No	
Report of: Councillor Barry Johnson, Portfolio Holder for Housing		
Accountable Assistant Director: Carol Hinvest, Assistant Director of Housing		
Accountable Director: Roger Harris, Corporate Director Adults, Housing and Health		
This report is Public		

Executive Summary

The Housing Capital Programme invests in the long-term integrity of the Council's assets and brings significant improvements to the health and wellbeing of our local residents through improvements to their living conditions and reduces fuel poverty through improved energy efficiency.

This report sets out the proposals for the procurement of two contract packages that will further improve the quality of homes for Council Housing tenants.

The first contract package will upgrade the heating provision for three tower blocks in Chadwell St Mary. The second contract package will refurbish properties of a non-traditional construction in the housing stock.

This report details options for the procurement of these contract packages using pre-approved public sector frameworks in order to generate cost efficiency and resource time savings.

- 1. Recommendation(s):**
 - 1.1 Approve the procurement of two new contracts for major works delivery programmes.**
 - 1.2 Approve delegated authority for award of the above contracts to the Corporate Director of Adults, Housing and Health in consultation with the Portfolio Holder for Housing.**
- 2. Introduction and Background**

- 2.1 There is an ongoing need to invest in our existing council stock to ensure the integrity of the asset is maintained and that the Council fulfils its duty to provide residents with affordable warmth in homes and future proofed facilities.

We want everyone in Thurrock to have a warm home, with heating systems that are reliable and affordable. In October 2019 the Council passed a motion to declare a climate emergency and to take urgent action to reduce its carbon emissions to net-zero by 2030. One of the largest emitters of carbon in Thurrock is domestic heating and hot water. We need to ensure the heat sources that supply homes in our borough are increasingly low and zero carbon.

Heating Upgrade for Three Tower Blocks in Chadwell St Mary Ward

- 2.2 This programme of work will replace the current end of life heating systems in place in George Tilbury House, Gooderham House and Poole House in Chadwell St. Mary with a new renewable heating solution that will ensure the resident has the cheapest running cost which will lift our residents out of fuel poverty.
- 2.3 The 273 properties in these blocks currently are heated with electric storage heaters the majority of which are over 30 years old. These storage radiators are now at the end of their technical life expectancy due to their age, this means they are less efficient and have limited controls for the residents to operate meaning they are inefficient for both running costs and sustainability.
- 2.4 Different options for their replacement have been considered and we are now presenting this option for a new ground source heat pump solution to be installed. This preferred option has been fully informed by detailed site investigations and geological surveys.
- 2.5 Residents in the blocks have also been consulted about the cost and effectiveness of their current heating system. This has demonstrated that currently residents in these blocks are experiencing varying levels of fuel poverty across the three tower blocks. Fuel poverty has many negative impacts on physical and mental health. Fuel poverty creates a harsh choice for our residents to choose between a warm home or food. It is our priority to install a system that addresses this financial exclusion by delivering a reduction in annual costs for residents on their heating bills. The data collected up until the week ending 18th December 2020 is set out in the following table. At this stage 67 residents across the three Chadwell Tower Blocks had engaged with the Council to undertake a fuel poverty assessment.

Number of Properties Assessed	Estimated Annual Fuel Costs per household	Percentage of Households in Fuel Poverty.
67	£1,429.00	50.7%

Out of the 67 participants of the fuel poverty assessment just over 50% of the residents met the threshold of fuel poverty based on the Low Income High Cost (LIHC) Indicator.

- 2.6 The average running costs of the proposed ground source heating systems for the two bed Chadwell tower blocks have been calculated to be in the region of £477.00 per annum depending on individual usage. Therefore, when considered against the figures above it is clear this would deliver significant savings to our residents living in these properties. This would in turn remove a majority of residents from fuel poverty.
- 2.7 The system that is proposed to be installed in a low carbon heating system which utilises renewable heat which is freely available underground. This can be accessed by using Ground Source Heat Pumps (GSHP) connected to a network underground of pipes extracting ambient heat from the ground. This system provides 300% efficiency and is powered by electricity from the resident's own meter. The GSHP system that is proposed will provide a separate hot water cylinder in each dwelling and radiators. Residents will remain free to choose which energy provider they engage for provision of electricity, however the cheaper their electricity tariff the more they will save on their heating cost. We will ensure this is communicated to our residents through our resident liaison teams to make sure the residents on this estate achieve the maximum benefit possible. Over the life cycle of this install based on 40 years, the lifetime saving of heat pump and ground array is estimated save 7,080 tons of CO2 emission this is the equivalent of taking 1540 cars off the road, this is based on carbon factor obtained from SAP 10.1, published 8/11/19.
- 2.8 Ground source heat pumps 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. 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. The simplicity of this set-up means control is straightforward and the heat can be delivered as required throughout the day ensuring tenant comfort.
- 2.9 It is estimated the cost of this installation will be approximately £5.4m. The Housing Revenue Account Business Plan as reported to Cabinet in February 2020 included £23.18m for Tower Block Refurbishment between 2021/22 and 2022/23 and this sum includes provision for this work.

3. Non-Traditional Property Refurbishment

- 3.1 The Housing Revenue Account Business Plan and Budget Report of 12 February 2020 outlined a budget of £7.3m to invest in the refurbishment of the properties of Non-Traditional construction in the housing stock between the years of 2021/22 and 2023/24.
- 3.2 The term non-traditional generally refers to prefabricated building systems, frames and construction methods that known as Prefabricated Reinforced Concrete (PRC) properties. They were mostly constructed post-war up between 1945 and 1951 and were only envisaged to last 10 years, but such was the durability that many are still standing today. Within the Thurrock housing stock we have over 200 of these non-traditionally constructed properties all of which are tenanted family sized homes. These properties are designated defective within the meaning of the [Housing Defects Act 1984](#), now part of the [Housing Act 1985](#), because they have the potential for corrosion of the embedded steel reinforcements and are generally considered by lending institutions not to be mortgageable.
- 3.3 If left in their original state these non-traditional properties offer extremely poor thermal efficiency making them expensive for the tenants to heat. This poor thermal insulation can leading to problems with condensation and mould and impact on the internal fixtures and fittings.
- 3.4 The Council have now having carried out extensive surveying of these properties and have planned a programme of refurbishment based on property condition that will prioritise those in urgent need of improvements.
- 3.5 The works to the properties will aim to make them both structurally safe and achieve improved standards of thermal comfort. Improvements will be tailored to the different build types and will incorporate measures such as new external wall insulation, new windows and doors, sustainable heating systems and sustainable energy sources. These will both improve the energy efficiency ratings of the properties providing more comfortable and economical homes for our residents and will be in line with the Councils climate change agenda.

4. **Possible Grant Funding**

- 4.1 It is also the Council's intention to apply for grant funding to support these projects under one of the following schemes. The funding landscape is changing rapidly and projects will be appraised individually at the time of investment decisions. There have been many funding announcements to support green jobs and the COVID-19 economic recovery plan and we will engage a contractor that can help us to identify the best funding routes.
- 4.2 **Non-Domestic Renewable Heat Incentive (NDRHI)** policy. This supports residential district heating installations. The Department for Business, Energy & Industrial Strategy (BEIS) has confirmed that an individual ground source heat pump at each property, linked to a communal ground array, qualifies as a district heating system.

However the current NDRHI scheme closes on 31st March 2021 and to apply installations would need to be completed and commissioned with as built EPC's provided as part of the application. For projects that cannot complete prior to this deadline, there are currently options set out in the consultations launched by BEIS in April 2020 to apply for a Tariff Guarantee by the end of March 2021. It is unlikely that it will be possible to access this funding for this project due to limited time frames imposed.

4.3 Clean Heat Grant

Scheduled for commencement in 2022 the CHG is the government's successor scheme to the RHI. Under recent consultations the government have indicated the possibility of an upfront capital grant of up to £4,000 per property installed with a new heat pump. We await detailed outline of eligibility and funding application process in due course.

4.4 Social Housing Decarbonisation Fund

A total of £3.8 billion has been allocated to this fund over the next 10 years to support social landlords to retrofit social housing at scale. Individual projects will need to be appraised for eligibility and potential collaborations will be required. We will look to identify opportunities to maximise the use of this fund where possible.

4.5 Energy Company Obligations Round 3

ECO3 is the latest stream of ECO. It mainly focuses on low income and vulnerable households, helping to meet the Government's fuel poverty commitments. This grant is intended to fund renewable technology and replace expensive, broken, inefficient fossil fuelled systems or non-centrally heated systems. As a funding stream, ECO3 is based on the cost savings between the old and new heating and hot water systems. This grant applies to district heating schemes and social housing installations, however the properties must have a registered Energy Performance Certificate (EPC) of E, F or G to be eligible.

4.6 It is important to note that full provision has been made within the HRA Business Plan to cover the delivery of these two projects. If successful in applications for any of the above schemes, the grant received would be offset against the overall cost which would then release investment for further improvements to other properties within the housing stock.

5. Procurement Route Recommendation

5.1 This report is submitted to Cabinet to request the approval to proceed with the procurement for two contracts for the major works delivery packages outlined in this report. These procurements are each valued above the Corporate Directors threshold of £750k.

5.2 Due to the size and scale of service provision, the Council is required to procure these contracts through the Public Contracts Regulations 2015 and to also comply with the Council's Contract Procurement Rules. Officers have considered a number of options for re-procurement via either a full OJEU process or using purchasing consortium frameworks.

5.3 Given the likely level of interest in the work packages and the limitations of the market, the recommended option for the procurement routes is a mini competition through a purchasing consortium framework. This will enable the selection from a list of providers who have already demonstrated their suitability to provide the type and quality of services required. It will enable the evaluation of the mini competition tenders on the basis of key criteria on quality, price and added social value.

6. Timetable for Procurement and Award

6.1 Tower Block Heating Replacement

Action	Date
Leaseholder Consultation	35 days April 2021
Issue Tender	Mid May 2021
Tender Return	End June 2021
Evaluation Period Ends	End July 2021
2 nd stage Leasehold consultation	August 2021 - 35 days
Standstill Period Concludes	Mid-August 2020 Should this be Mid-September
Award of Contract	September 2021
Contract Commencement	End September 2020

6.2 Non-Traditional Property Refurbishment

Note: No leaseholders are affected by this programme so statutory consultation periods are not applicable.

Action	Date
Issue Tender	April 2021
Tender Return	Mid May 2021
Evaluation Period Ends	June 2021
Standstill Period Concludes	June 2021
Award of Contract	July 2021
Contract Commencement	August 2021

7. Issues, Options and Analysis of Options

Design Specifications

- 7.1 The Council has invested in detailed feasibility and design for both refurbishment projects which have fully appraised the different options and product specifications applicable to these types of works. All works will be delivered to meet the applicable regulatory standards.

8. Reasons for the report

- 8.1 This report is submitted to Cabinet in order to outline the two packages of work as part of the Housing Capital Programme which are designed to bring substantial improvements to the quality and comfort for residents living in these homes for approval to procure these work packages.
- 8.2 Cabinet are asked to approve the procurement of these work packages and to approve the delegated authority for the award to Corporate Director of Adults, Housing and Health in consultation with the Portfolio Holder for Housing.

9. Consultation (including Overview and Scrutiny, if applicable)

- 9.1 This report was considered by Housing Overview and Scrutiny Committee at its meeting in January 2021. The Committee fully supported the proposals.
- 9.2 This proposal for the refurbishment of the heating systems in the Chadwell St Mary Tower blocks will be subject to Section 20 Leaseholder Consultation at all stages.
- 9.3 Once approval to proceed is in place the refurbishment proposals will be consulted on with the local residents affected.
- 9.4 Members of the Resident Excellence Panel will be invited to participate in the tender evaluation process. Members of the Resident Excellence Panel have been trained in the evaluation process and have provided positive contributions when previously involved in evaluation processes.

10. Impact on corporate policies, priorities, performance and community impact

- 10.1 The improvement of the Council's housing assets supports the Council's key priorities through the provision of quality housing and estates people are proud to live on.
- 10.2 The Council's strategic priorities have been and will continue to be an integral part of the social value tender documents and bidders will be required demonstrate how they will generate added value for local communities, support the local economy through opportunities for local businesses and provide local job opportunities.

10.3 **Clean Growth Strategy**

This UK government strategy sets out a comprehensive set of policies and proposals that aim to accelerate the pace of 'clean growth', decreased GHG emissions and a commitment to phasing out fossil fuels off the gas grid in the 2020s. The roll out of low carbon heating is an essential part of this strategy and heat pumps have a pivotal role to play in helping social housing providers to decarbonise their housing stock.

10.4 **Electrification of Heat**

Electrification of heat is a key part of the government's strategy for achieving net zero carbon by 2050. Heating homes and businesses makes up a significant proportion of the UK's emissions and therefore has to be tackled, moving the country away from burning gas is a significant part of the challenge. The pace of increased supply of renewable energy to the UK power grid provides an opportunity to decarbonise heat in the next 30 years and rapid installation of heat pumps can support mass decarbonisation across our Thurrock homes.

10.5 **The Future Homes Standard**

The Future Homes Standard will require new build homes to be future-proofed with low carbon heating and world-leading levels of energy efficiency; it will be introduced by 2025. Whilst these standards are for new homes to be substantially improved in order to future-proof new builds with low carbon heating, existing buildings will have to undergo significant improvements/ deep retrofitting to meet the challenge of decarbonisation.

10.6 **Carbon Reduction and Climate Emergency**

In October 2019 the Council passed a motion to declare a climate emergency and to take urgent action to reduce its carbon emissions to net-zero by 2030. Over 34% of all emissions in the UK are attributed to the provision of heat. Ground source or Air source heat pumps provide local authorities with a solution to fully decarbonise heating in social housing assets coupled with the provision of clean energy.

11. **Implications**

11.1 **Financial**

Implications verified by: **Mike Jones**
Strategic Lead, Finance

The procurement of these works is in line with the budget investment profile for years 2020/21 to 2023/24. The estimated spend shown in this report is in line with the HRA Business Plan provision for the contract period.

11.2 Legal

Implications verified by: **Courage Emovon**
Principal Lawyer / Manager – Contracts & Procurement Team

The Council have a statutory duty to provide for the Health and Wellbeing of its residents through improvement to their living conditions and this could be by way of improving the Council's housing stock via procurement of programmes of works as proposed in this report with the ultimate outcome of improving the Wellbeing of its local residents. Legal Services will be on hand to advise on any issues arising from the proposed procurement of the works programme.

11.3 Diversity and Equality

Implications verified by: **Becky Lee**
Team Manager - Community Development and Equalities

A full community equality impact assessment has been undertaken of the implementation of the Housing delivery of the investment programmes.

Residents in these homes are experiencing high levels of fuel poverty. Fuel poverty has many negative impacts on physical and mental health. Fuel poverty creates a harsh choice for our residents to choose between a warm home or food. The installation of energy efficiency measures and heating systems is intended to address this financial exclusion by delivering a reduction in annual costs for these residents on their heating bills.

The significant investment made through these improvements in the housing stock represents a real opportunity to provide additional social value to the local communities in the borough. It is therefore important that the commissioning and contract management approach continues to support a framework for social value delivery to support training and employment opportunities for our communities and maximise spend in the local economy.

11.4 Other implications (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder, and Impact on Looked After Children)

The installation of the low carbon heating systems are expected to provide 70%+ reduction in carbon emissions. The system being proposed for the Chadwell Towers has been verified by BEIS studies and the Energy Saving Trust to be the cheapest to run and the lowest carbon heating system. It is expected that the infrastructure to be installed underground will have a life of 100 years. This creates a sustainable supply of heating to be supplied to those residents for the foreseeable future.

- 12. Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright): -

Housing Revenue Account Business Plan and Budgets 2020/21 - report to Cabinet February 2020.

- 13. Appendices to the report**

None

Report Author

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