

CABINET (HOUSING) COMMITTEE

6 DECEMBER 2011

RENEWABLE HEAT PREMIUM PAYMENT SOCIAL HOUSING GRANT OFFER

REPORT OF HEAD OF LANDLORD SERVICES

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RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

The City Council has been offered a grant to help fund a renewable energy heating project to up to 26 Council homes in the southern parishes. To take advantage of this grant, it is necessary to spend up to £306,300 with at least £168,300 to be identified from existing resources. This report makes proposals on how this can be achieved to allow this positive opportunity to dramatically improve heating systems for a number of tenants to be delivered.

RECOMMENDATIONS

1. That approval be given to proceed with the renewable energy installations as set out in this report.
2. That project costs of £306,000 be approved to be funded by up to £138,000 external government grants with the balance to be taken from the existing Planned Maintenance programme.
3. That approval be given in accordance with Contract Procedure Rule 2.4 a) to allow the Head of Landlord Services to seek 3 quotations from suitable specialist contractors for the supply and installation of 10 wood fuelled boiler systems, without inviting tenders in accordance with Contracts Procedure Rules 9, 10, 11 and 12

CABINET (HOUSING) COMMITTEE6 DECEMBER 2011RENEWABLE HEAT PREMIUM PAYMENT SOCIAL HOUSING GRANT OFFERREPORT OF HEAD OF LANDLORD SERVICESDETAIL:1. Introduction

- 1.1. The Government has recently offered renewable heat premium payment (RHPP) Grant through a competitive process and the City Council has been successful in securing grant towards provision of solar thermal, air source heat pumps and wood fuelled boilers to 26 properties in Hambledon that otherwise have to rely on economy 7. The City Council's successful submission identified a number of properties in one location that would benefit from renewable heat technology. Accepting a place on the programme would allow an excellent learning opportunity for the Council. A key element of the scheme is a requirement for detailed monitoring before and after installations to test the technology and its suitability to the homes selected.
- 1.2. The properties included within the proposal were selected as they provided the "best fit" with the scheme criteria. The fact that there is a number of co-located properties all with no mains gas, below average energy efficiency ratings and well above average heating bills complies well with the scheme. A bid for the Winnall high rise flats was also considered, as their electrical heating systems are also nearing the end of their useful lives. However, such a project would have been significantly more expensive and well beyond the maximum grants rates available.
- 1.3. Unfortunately, the time allowed to bid for and then to complete the project has been unrealistic and places some risk on the Council's ability to secure the grant. The bidding process allowed a couple of weeks to pull proposals together, was a month delayed in announcing the allocations and now states that all works need to be procured and installed by March 2012. Whilst officers are confident that delivering the project on time is achievable, there is clearly potential for delays, not least due to weather. Steps can be taken to minimise risks but if approval to proceed is given, it is not possible at this stage to guarantee completion by 31 March 2012. It is therefore recommended that contingency be made for full project costs and this is discussed in paragraph 2.2 below.
- 1.4. The grant is for 45% of total project costs. The project is costed at £306,300. Key benefits of the project proceeding include:
 - a) Significant improvement to energy efficiency of 26 properties
 - b) Contribution to carbon reduction target for the district

- c) Lower fuel bills for tenants
- d) Learning opportunity re renewable heat schemes
- e) A positive opportunity to demonstrate the Council's commitment to renewable energy
- f) To improve SAP rating of 26 properties
- g) To replace economy 7 heating systems with more efficient renewable energy
- h) To participate in Government research into renewable energy options and to improve our own understanding of opportunities for housing stock not on mains gas.

2. Funding the Project

- 2.1. For the project to proceed, the Council will need to contribute £169,000 towards the full costs (55%). It is possible to meet this cost within the Planned Maintenance programme approved by this Committee in June 2011 (CAB2195 (HSG) refers). The programme made a total provision for heating systems of £1,235,000 and a further £95,000 for renewable energy schemes and there is capacity within these sums to incorporate this project. A report on progress with all elements of the Maintenance programme will be brought to the next meeting.
- 2.2. As stated in paragraph 1 above, the risk of external events preventing the project being completed by 31 March 2012 mean there is a risk that some or all of the grant on offer will not be realised. It is therefore recommended that in this unlikely event, any project costs not met by grant be funded through the Major Repairs Reserve. The reserve currently stands at £500,000 and is intended to cover peaks and troughs in capital investment over time.

3. Procurement Issues

- 3.1. It had originally been intended to procure all the works in accordance with Contract Procedure Rule 12 by inviting bids from contractors selected from Constructionline, a pre-approved select list of construction related suppliers.
- 3.2. However, it has not been possible to identify suitably qualified contractors who subscribe to Constructionline for the installation of biomass boilers. This element of the project totals an estimated £116,000. This would require an open tender process in accordance with Contract Procedure Rule 9. However, the tight timescale of this project precludes this from being possible.
- 3.3. It is therefore proposed to divide the works into two lots. The installation of solar thermal solutions and air source heat pumps will be procured in accordance with contract procedure rule 12 as described in 3.1 above. To procure the supply and installation of the biomass boilers, it is recommended that approval be given in accordance with Contract Procedure Rule 2.4 a) to allow the Head of Landlord Services to seek 3 quotations from suitable

specialist contractors for this work, without inviting tenders in accordance with Contracts Procedure Rules 9, 10, 11 and 12

OTHER CONSIDERATIONS:

4. SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 4.1. The City Council has a priority to reduce its own Carbon Footprint within not only the Community Strategy but also within the High Quality Environment Change Plans. The work also supports the Climate Change Programme within those plans.

5. RESOURCE IMPLICATIONS:

- 5.1. As stated above the project costs are estimated at £306,300. However, this is a conservative estimate and could be substantially reduced through procurement process and/or tenants not wanting to participate.
- 5.2. With grant at 45%, the Government's contribution to project costs would be up to £138,000. The HRA net contribution of £168,300k (still up to £6k per property) can be funded from existing provision for heating and renewable energy in the existing Planned Maintenance programme.
- 5.3. Grant is payable on all works completed by 31 March 2012. The cost of any work not completed by then would need to be met in full. The risk of this will be managed through careful programming and inclusion of liquidated damages clauses within the contract. However, the risk of delays due to bad weather cannot be completely eradicated. In this event, any additional costs would need to be met from the Planned Maintenance programme provision already approved by this Committee.
- 5.4. The project would also have a significant impact on the Property Services team at a busy time due to other projects (Winnall lifts, normal heating upgrades etc) and time of year (problems due to weather).

6. RISK MANAGEMENT ISSUES

- 6.1. A number of key risks need to be considered and managed, including:
- 6.1.1. Unrealistic timetable – Timescale is very tight, effectively providing only 4 months to complete major works
- 6.1.2. Weather – Risk of snow that will delay installations. This is the most significant concern. The programme can be designed to mitigate this but it cannot be ruled out completely. Every effort will be made to bring forward works to allow time to address any periods of inactivity.
- 6.1.3. Capacity of providers – It is proposed to include a liquidated damages clause to protect against supply issues.

- 6.1.4. Tenant Cooperation – Tenant liaison has commenced and it is clear that a small number may well not cooperate with proposals. In general, it has been very well received although the individual circumstances of each household can impact on project delivery.

7. TACT COMMENT

- 7.1. The background to this scheme was presented to TACT at its meeting on 16 November 2011.
- 7.2. TACT welcome such an opportunity as this to take advantage of this grant, having felt in the past the Council has missed out on previous offers for other schemes.
- 7.3. As far as TACT is concerned it is full steam ahead with this scheme, I am sure the 26 Council home tenants involved will say the same.
- 7.4. 4 months to complete may be tight, but with so many out of work one would feel this should not be a problem, if everyone pulls out all the stops.

BACKGROUND PAPERS

Working papers held in the Landlord Services division

APPENDICES

None