



Cabinet Member Report

Meeting or Decision Maker:	Cabinet Member for Climate Action, Regeneration and Renters
Date:	23rd August 2023
Classification:	Public
Title:	Appointment of Technical Services Provider – PDHU Renewal and Decarbonisation
Wards Affected:	Pimlico South Ward
Policy Context:	<p>Fairer Westminster – Operating PDHU accounts for 40% of WCC’s operational carbon emissions. This project will review options to decarbonise PDHU in line with the 2030 net zero carbon target</p> <p>Fairer Housing – The renewal of PDHU will ensure reliable provision of heat to residents connected to PDHU and reduce the number of leaks and outages across the network</p>
Key Decision:	Yes
Financial Summary:	£524,751
Report of:	Debbie Jackson, Executive Director Growth and Planning

1. Executive Summary

- 1.1. This report requests Cabinet Member approval for the appointment of AECOM to provide Technical Services to the PDHU Renewal and Decarbonisation programme
- 1.2. The initial appointment covers services up to the end of the OBC (stage 2) with the option to extend to stage 4 (detailed design)

2. Recommendations

- 2.1. It is recommended that the Cabinet Member approves the appointment of Aecom to provide technical services support to the PDHU Renewal and Decarbonisation Outline Business Case
- 2.2. That a maximum expenditure of £524,751 for the Outline Business Case (stage 2) is approved to cover design services up to the end of the Outline Business Case. This will be a maximum fee and will be reduced where efficiencies are possible.

3. Reasons for Decision

- 3.1. Pimlico District Heat Undertaking (PDHU) is an important asset for Westminster City Council. PDHU provides heating and hot water to 3,300 homes and over 50 commercial buildings in the Pimlico area.
- 3.2. The existing PDHU network is over 50 years old. Due to its age, maintenance costs are increasing and WCC spend £1.97m per annum maintaining and repairing the network, with a further £1.7m on in flat repairs related to PDHU. The number of leaks from the network is increasing every year, a growing problem as the pipework deteriorates.
- 3.3. PDHU is currently powered by three 8MW natural gas boilers which emit 16k Tonnes of CO2 per annum, this equates to 39% of the Council's total carbon emissions in 2021/22. Reducing this carbon footprint is considered vital in reaching the Councils 2030 net zero target and Fairer Environment ambitions outlined in the 'Fairer Westminster Delivery Plan'
- 3.4. The project is an opportunity to modernise the network including installation of advanced heat metering technology, improved energy management and greater control – all of which improve the experience for residents connected to the network

4. Background, including Policy Context

4.1. A feasibility study has been completed which reviewed a long list of strategic options for renewing and decarbonising PDHU. This study compared the estimated capital cost, annual energy costs and carbon emission reduction to identify a shortlist of options to take forwards into the Outline Business Case. These options are as follows:

- Retain the full PDHU network and install a River Source Heat Pump with a gas/electric boiler for peak demand
- Zone Lillington and Longmoore Gardens Estate and install a low carbon energy centre (heat pump). Power the retained PDHU network with a River Source Heat Pump
- Zone all 3 estates (Churchill Gardens, Lillington and Longmoore Gardens and Abbots Manor) providing each with its own low carbon energy centre (heat pump)

4.2. All of the shortlisted options outlined above include an upgrade to the distribution pipework, which is considered a necessity to continue the provision of reliable and efficient heat to residents

4.3. A Strategic Outline Case (appendix 1) for the project was approved by Capital Resources Group in January 2023. The appointment of Technical Support was included in the £1.2m budget allocated for the Outline Business Case

4.4. The Strategic Outline Case was also presented at Policy and Scrutiny Committee on 19th April 2023

4.5. The appointment of a specialist technical consultant is required to progress the project to the next stage. The support includes engineering, architects and planning services. These services are considered necessary to further develop the shortlisted options, de-risk the options and identify a preferred option.

4.6. A competitive tender process has been completed. An Invitation to Tender was issued via the GLA Local Energy Accelerator Framework.

5. Financial Implications

- 5.1. The Strategic Outline Case (SOC) for the PDHU Decarbonisation Project was approved by the Capital Review Group (CRG) in January 2023. This included an approval for spend of £1.2m to take the scheme to Outline Business Case (OBC) by early 2024.
- 5.2. The recommendations in this report are estimated to require £524,751 of this total to take the PDHU scheme to the end of RIBA Stage 2 (i.e. the OBC) and are therefore within the approved budget.
- 5.3. Ultimately the PDHU project will be a capital scheme but, while the Council is working up the detailed options, all spend will be funded through revenue (which is standard practice until the OBC is approved). Only at this point can it legitimately be transferred to capital and formally treated as an Asset Under Construction (AUC). CIL funding has been agreed to support this initial expenditure, with the Council also seeking to apply for grant funding (which will be substituted for the CIL if the bid is successful).

6. Legal Implications

- 6.1. The recommendation in this report is seeking approval of a call-off contract award to AECOM Limited for the provision of Technical Services for the Renewal and Decarbonisation of the PDHU following a mini-competition via the Greater London Authority's Local Energy Consultancy Framework, Lot 4 ("the Framework").
- 6.2. The proposed Call-Off Contract to be awarded to AECOM Limited is for a period of seven months to cover RIBA Stage 2 with the option to engage the consultant for RIBA Stages 3 and 4 subject to funding and CGRB approval.
- 6.3. The contract value for RIBA 2 is in the sum of £629,701 (inc. VAT), which is above the financial threshold for services and therefore subject to the full and relevant implications of the Public Contract Regulations 2015 ("PCR").
- 6.4. The Framework has been set up in compliance with regulation 33 of the PCR and it is available for the Council to use.
- 6.5. The Council is permitted to call-off from the Framework by conducting further mini competition. The service has been procured in accordance with terms of the Framework for the proposed contract award. The proposed appointment of AECOM from a compliant framework would be in fulfilment of the Council's obligations under the PCR and its Procurement and Contracts Code.
- 6.6. The Call-Off Contract entered into must be under the terms and conditions as set out and agreed in the Framework without any material amendments being made and in accordance with regulation 33 (7) (a) of the PCR.

6.7. Details of the contract awards must be published on Contracts Finder in accordance with the PCR's and the Council's Procurement and Contracts Code. The contract would need to be sealed so would require legal input.

7. Carbon Impact

7.1. PDHU contributes 39% of the total annual WCC carbon emissions and reducing these emissions are considered vital in achieving the 2030 net zero target

7.2. The Strategic Outline Case outlines the results of the feasibility study, identifying the shortlisted options to be reviewed as part of the Outline Business Case

7.3. A total potential carbon emission reduction of between 68% and 76% by 2030 is achievable depending on the final technical solution. The final level achieved will be influenced by the final scope of work and wider decarbonisation of the electricity network

8. Equalities Implications

8.1. Under the Equalities Act 2010 the council has a "public sector equality duty". This means that in taking decisions and carrying out its functions it must have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the 2010 Act;

- to advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it; and to
- foster good relations between persons who share a relevant protected characteristic and those who do not share it

8.2. The focus of this expenditure is consultancy fees therefore there is limited impact on Equalities. In the tender for the consultants there was a requirement for the bidders to include a diverse and inclusive team. Aecom committed to this and in addition proposed to use their Employee Resource Group (ERG) resources & partnerships to hold activities relevant to the sector & create an inclusive environment for the contract workforce

9. Consultation

9.1. The Strategic Outline Case for the project was presented at the Policy and Scrutiny Committee in April 2023

9.2. Cabinet members have been briefed on this paper and are also part of the project steering group, which has been provided with regular updates on progress

9.3. Consultation and engagement with residents will commence as a key activity of the Outline Business Case

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

Chris Spicer, Programme Manager – cspicer@westminster.gov.uk

APPENDICES

Appendix 1 – PDHU Renewal and Decarbonisation – Strategic Outline Case

Appendix 2 – CGRB Contract Report Gateway 3

Appendix 3 – Executive Decision Report

Appendix 4 – Briefing Note

NB: For individual Cabinet Member reports only

For completion by the **Cabinet Member for Climate Action, Regeneration and Renters**

Declaration of Interest

I have <**no interest to declare** / to declare an interest> in respect of this report



Signed:

Date: 23/08/2023

NAME: Councillor Matt Noble

State nature of interest if any

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(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled

Appointment of Technical Services Provider – PDHU Renewal and Decarbonisation and reject any alternative options which are referred to but not recommended.



Signed:

Cabinet Member for Climate Action, Regeneration and Renters

Date: 23/08/2023

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, City Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.