

ABERDEEN CITY COUNCIL

COMMITTEE	Finance & Resources
DATE	15 March 2012
DIRECTOR	Pete Leonard
TITLE OF REPORT	Structural and Heating upgrades at Brimmond, Grampian and Morven Courts in Torry
REPORT NUMBER:	H&E/12/022

1. PURPOSE OF REPORT

The purpose of this report is to:

- a) seek approval to carry out over cladding, window replacement and heating upgrade works at Brimmond, Morven and Grampian Courts in Torry.
- b) obtain approval to enter into an Installation Agreement with Aberdeen Heat & Power (AH&P) covering the capital costs and specifications of a gas-fired, heat-only, district heating system, to be installed by 30th September 2013.
- c) obtain approval to enter into a long-term Maintenance Agreement with AH&P covering the gas-fired, heat-only, district heating system, thereby enabling AH&P to provide a secure maintenance arrangements, not only for our tenants but also for the seven owners in these three blocks.

2. RECOMMENDATION(S)

That the committee approve:

- a) that a procurement process for over cladding and window replacement works at at Brimmond, Morven and Grampian Courts is undertaken at an estimated expenditure of £(see appendix).
- b) that AH&P are awarded the contract to Install a district heating system for the above blocks at an estimated expenditure of £1, 002, 048.
- c) that AH&P are awarded a long-term Maintenance Agreement in respect of the district heating system at an estimated expenditure of £8112 per annum.

3. FINANCIAL IMPLICATIONS

The Council has secured a Community Energy Savings Programme (CESP) grant, from SSE Energy Supply Ltd, of £1.5 million, towards the cost of “fitting external solid wall insulation and a new district heating systems and heating controls to all domestic premises at Morven, Brimmond and Grampian Courts”. A condition of this grant is that the works have to be completed by 30 September 2013. Aberdeen City Council would be required to fund the indicative cost of the project, estimated to be in the region of £(see appendix). It is estimated that the works in question should be completed by the deadline of 30 September 2012. If the deadline is not achieved however and some, or all, of the budget is not awarded then the Housing Capital Expenditure budget will have to absorb the remaining cost. If this situation arose then a report on the matter will be submitted to the Housing and Environment committee by the Director of Housing and Environment.

A Feasibility Study has been completed by AH&P’s CHP Engineer to provide costings for a gas-fired, heat-only, district heating scheme to provide heating and hot water to the flats at Morven, Brimmond, and Grampian Courts. The total cost of the heating is assessed as being £1,002,048, based on AH&P’s current contract prices. There is the potential in Torry to extend the district heating network in future to include other Council owned housing and public buildings, so the costed design includes provision for these three multi storey blocks to be linked into an expanded CHP district heating scheme in future at no additional cost.

The indicative cost of the external solid wall insulation, window replacement and new district heating system and heating controls will be split over two financial years. These costs have already been factored in to the Housing Capital Expenditure budget 2012/13 and indicative Housing Capital Expenditure budget for 2013/14 already presented to the Council’s budget meeting on 9 February 2012.

4. OTHER IMPLICATIONS

The Housing Capital Programme provides the catalyst to deliver many of the objectives in the Housing Business Plan. Failure to adequately maintain and improve the Council’s housing stock may lead to the Council breaching Health & Safety regulations, poorer housing conditions in Aberdeen, and resulting in lower demand. Failure to deliver an effective programme will lead to tenant dissatisfaction.

There will be an involvement for the Head of Legal and Democratic Services in connection with proposals to enter in to both an installation agreement with Aberdeen Heat and Power covering the capital costs and specifications of a gas-fired, heat-only, district heating system and a long-term Maintenance Agreement covering the gas-fired, heat-only, district heating system.

5. BACKGROUND/MAIN ISSUES

Installation of proposed district heating system for Brimmond, Grampian and Morven Courts

The current heating system in these 156 flats consists of old, inefficient, electric storage heaters. Water is also heated electrically. A high proportion of residents of these three blocks are currently in fuel poverty. Heating and hot water in Morven, Brimmond, and Grampian Courts could be provided in a more flexible, efficient and economic way through the provision of a new communal heating system, fed by gas fired communal boilers. Such a heating system would lift the majority of the residents out of fuel poverty.

As Brimmond Court is a sheltered housing scheme these tenants currently pay for their electric heating and hot water through Heat with Rent. With a communal gas heating system to all three blocks the Council would purchase the gas through our existing gas contract, and the tenants of all three blocks would benefit from paying for their heating and hot water through Heat with Rent.

To deliver the installation of this heating system the Council would enter into an agreement with AH&P. AH&P and the Council already work in a partnership which has so far delivered combined heat and power district heating (CHP) to 22 multi storey blocks that are grouped into clusters at Stockethill, Hazlehead and Seaton, and, heat-only communal gas heating to 3 single multi storey blocks at Ashgrove Court, Mastrick Land and Denburn Court. This has proved to be a successful partnership with AHP designing, planning and installing the heating systems. In addition AHP work with local contractors, ensuring that they are properly trained to install gas communal and CHP systems. Within flats the installation of a gas fired communal heating system is the same as that of a CHP system. This arrangement will allow AH&P to use one of these local contractors to carry out the work at Morven, Brimmond, and Grampian Courts, therefore, ensuring continuity of work for local companies.

AH&P was set up by the Council in 2002 to develop and manage district heating schemes, in particular CHP schemes linked to clusters of multi-storey blocks and adjacent public buildings. AH&P is a not-for-profit company limited by guarantee. It has a board of unpaid Directors and an external CHP consultant who carries out design, procurement and project management. A Framework Agreement is in place between the Council and AH&P and, before each development begins, project specific agreements are drawn up detailing what is to be developed, capital costs, heat charges and maintenance arrangements. An underlying principle of any development by AH&P to provide heating to Council owned property is that AH&P's procurement is in line with the public procurement policy.

For each CHP scheme the Council enters into a Heat Supply and a Maintenance Agreement with AH&P: for heat-only schemes the Council purchases the gas direct and so there is no need for a Heat Supply Agreement. There is, however, still a benefit from the Council entering into a Maintenance Agreement with AH&P for gas-fired, heat-only communal schemes which include any sold flats. Any communal heating scheme needs to be maintained as a whole. A problem such as a lack of heating in one flat could be caused by a problem in the plant room, rather than actually in the flat that is displaying the problem. As such it is a pre-requisite that one company is responsible for the maintenance across the whole of the communal heating system, including all the flats. AH&P will provide a comprehensive maintenance arrangement to the Council for its flats for £1 per week.

Currently no other maintenance contractor offers a maintenance agreement to owners in blocks of flats with communal heating systems. To be sure the Council achieves best value from a long-term maintenance arrangement with AH&P for the gas-fired, heat-only district heating schemes it is proposed that AH&P's annual charge is compared against similar contracts, whenever maintenance contracts are awarded for domestic heating systems.

The owners of the seven sold flats in these three blocks would be charged for the equipment installed within their own flats, the cost of which would be £2,900 per flat. It is recognised that some or all of these owners may not be able to afford this capital outlay; however, they will be able to access a loan through the Aberdeen Affordable Warmth Scheme, managed by Care & Repair, to cover the full cost of the installation. Repayment of such a loan would be set at a level that enables each owner to repay out of the savings they make on their fuel bills, so none of the owners will be unable to afford to have the new efficient heating.

It should be noted that any resident, either tenant or owner, can choose not to have the new heating system fitted in their home. It is unlikely that large numbers of residents will refuse the heating installation works, however, if this was to occur then the Director of Housing and Environment would have to reconsider the viability of the heating works and report back to the Housing and Environment committee on the matter.

Over cladding of Brimmond, Grampian and Morven Courts

The proposed over cladding of these blocks would increase the energy efficiency of hard to heat homes in one of the city's most vulnerable areas. Whilst there is no indication that these blocks suffer the persistent and extensive water penetration that is present in the Seaton multi storey stock, the over cladding would ensure that these blocks remain structurally sound for the next 30 years or so and would, in conjunction with the provision of district heating, reduce the impact of fuel poverty to the residents of the block.

In addition to the over cladding works it is also proposed to replace the windows through out the block. Recent investigations in to the condition of the windows in the block have found that there are widespread problems with draughts and that a number of windows suffer from penetrating damp to their heads. In addition window ironmongery and frames in individual flats and at some communal windows require comprehensive replacement.

Further, if the over cladding took place without the replacement of the windows it is likely the opening mechanism of some windows would be fouled by the over cladding. There is also a significant risk that over cladding would be damaged when windows are inevitably replaced in the future. This could cause the over cladding to be come ineffective. It is therefore proposed that the existing windows should be replaced at the time of the over cladding works.

As has been stated previously in the report the Council would qualify for a CESP grant of £1.5 million if the over cladding work is completed by September 2013. It is proposed that a portion of the grant would be used to cover the cost of the above works for the seven owners in these blocks. This would amount to approximately £(see appendix) per owner, or £(see appendix) in total.

Early consultation with the residents on these proposals has been undertaken by the Director of Housing and Environment and the residents are supportive of the proposals, including the heating upgrade, on the basis that grant funding was available to cover owners' costs. It is also proposed to meet with residents again in late March or early April to discuss the scope of works and costs further.

As all of the proposed works are considered to be an improvement and not a repair then consent from all owners in Morven and Grampian Courts will be required to allow the Council to carry out the necessary works in the communal areas of these blocks. This would cover the over cladding and the installation of pipework to connect each flat to the heating system. If this consent is not given by every owner in a block then that block cannot be included in the project. If this were to occur then the Director of Housing and Environment would then have to consider the future of this project. Such consent would require to be gained before the letting of any contract is undertaken.

A process to secure consent from the owners will be undertaken in the coming weeks, following full consultation with the Head of Legal and Democratic Services on the wording of the documentation.

This will be similar to the exercise which has been undertaken at three multi storey blocks in the Seaton area where works of this nature commenced in January of this year.

6. IMPACT

The City Council will operate within overall financial constraints taking into account recommended accounting practice and policies.

The contracts let under the aims to treat every tenant equally on the basis that replacement programmes are determined by the life cycle costing and prioritising on the basis of stock condition and sustainability of the estates.

Specifically within the Single Outcome Agreement there is a need to enhance the quality of housing and environment for individuals and the community. Furthermore within the Council's Vibrant Dynamic and Forward Looking policy document there is a commitment to increase the speed of the modernisation programme and adherence to the Scottish Housing Quality Standard.

7. BACKGROUND PAPERS

Report on the Draft Housing Revenue and Housing Capital Budget 2012/13 to 2014/15 submitted to the Council Budget Meeting of 9 February 2012

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