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## **London Borough of Enfield**

### **Operational Report**

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**Subject:** District Heating & Removal of Gas – Walbrook House Part 1  
**Executive Director:** Sarah Cary  
**Ward:** Lower Edmonton  
**Key Decision:** 5129

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### **Purpose of Report**

1. This report seeks approval to award the contract for removal of the gas supply to Walbrook House as urgent works and the provision of an alternative heating and hot water solution to comply with a notice issued by the gas provider, Cadent.

### **Proposal**

2. To Delegate to the Director of Housing and Regeneration ability to conduct final contract negotiations and, subject to final review of building options, to award a contract to bidder 1 for design and installation of District Heating and Hot water, following a compliant tender process utilising the Councils E-Tendering Portal and to approve the Council entering into such contract.

### **Reason for Proposal**

3. The Council has been served notice of termination (of the gas supply) by Cadent, the gas carrier. As such, the Council must take steps to remove the gas service and provide an alternative source of heating and hot water to the 126 households and community space in Walbrook House or decant the block. This block was already identified, and works were being progressed for a whole building refit to bring it up to safety, decency, and decarbonisation standards. As part of this programme a district heating solution had been recommended and has been procured. Due to market conditions and further work arising through the construction management approach to this complex project, overall project costs have increased so we are reviewing options for the building. The authority to let the contract is sought subject to the outcome of this options review.
4. The procurement plan for the 20/21 capital programme was approved at the Place Procurement Board on Tuesday 24<sup>th</sup> September 2019 noting that all such procurement activity would be carried out in accordance with the Councils' procurement rules, to ensure that the programme delivers both value for money and attains the quality standards expected by residents.
5. A compliant tender exercise was undertaken using the Councils E-Tendering Portal in accordance with the Public Contracts Regulations 2015 (PCR). The tenders were evaluated on a 60/40 quality and cost split, in line with the Councils agreed weighting criteria. Contractor 1 submitted the lowest price for the works and scored the highest

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quality marks therefore achieving the highest score overall. It is therefore demonstrated that “Contractor 1” has submitted the most economically advantageous tender with detail being provided in Appendix 1- Part 2.

**Relevance to the Council’s Corporate Plan**

6. The Council has a statutory and regulatory duty to ensure homes are decent and safe. Disconnection of the gas supply without alternative provision having been made, would result in homes being classified as non-Decent and residents would need to be rehomed. Whilst options for the building longer term are being considered this decision allows us to progress the solution if required.

**Background**

7. Walbrook House is a 23-storey occupied tower block built in the 1960s. It was overlaid with a new rainscreen cladding system in 2002/3 due to historic water penetration and to enhance thermal efficiency. The external wall system was removed in 2019 following a review of wall systems across the Councils portfolio.
8. The Council is currently undertaking a deep retrofit project at Walbrook House, following the removal of High-Pressure Laminate cladding at the block, due to fire safety concerns in 2018.
9. As part of the design process, a structural engineers report was commissioned given the block is known to be of Large Panel Construction, to confirm the findings of a historic report commissioned by the Council, that stated that the block had received structural strengthening in the 1980’s which would prevent collapse, in the event of a unplanned load (i.e. gas explosion).
10. The structural engineers report, has confirmed, following opening up of the structure, that the building does not meet the upper (35kn) test requirements and as such the gas mains, providing heating and hot water to flats, must be de-commissioned. Furthermore, additional structural strengthening is required to the two upper floors to meet the lower (17kn) requirements.
11. Based on the findings of the interim report, the Council has proactively engaged with Cadent as the gas provider and has, in consultation instigated a program of safety measures, to mitigate any immediate risks to residents and the building.
12. The final report, has now been shared with Cadent, who have served the Council with formal notice of disconnection, which unless the Council takes immediate steps to procure and install an alternative heating and hot water source, will leave residents without appropriate facilities, thus requiring the Council to decant the 126 homes to temporary housing, at significant cost and disruption.
13. Good homes in well-connected neighbourhood: The programme will improve the quality and safety of existing homes contributing to the creation and sustainability of thriving neighbourhoods and places.
14. Sustain strong and healthy communities: The proposed works will assist and sustain the development of high quality, safe housing, in areas which people desire to live so contributing to the building of strong, sustainable communities.

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15. Build our local economy to create a thriving place: Through effective procurement, consultation and liaison residents will be encouraged to share responsibility for delivering a successful project and its' positive contribution to the local economy.

**Main Considerations for the Council**

16. The Council has statutory duties under the Landlord and Tenant Act (1985) and Commonhold and Leasehold Reform Act (2002) to maintain its buildings in a good state of repair.

**Safeguarding Implications**

17. The works will require Contractors to enter residents' homes. Accordingly, Contractors will require Disclosure and Baring Service (DBS) checks. Compliance with the Councils Safeguarding Policy will also be mandatory for all contractors and employees.
18. A dedicated, full time Resident Liaison Officer (RLO) has been appointed through the enabling/survey works and will continue throughout the development of the project to its completion on site. The RLO has been provided space within the Walbrook Wellbeing centre where they regularly attend and manage communications with residents whilst maintaining safe working arrangements in line with the Government Guidelines around Covid-19.

**Public Health Implications**

19. The works will improve the safety and general living conditions for current and future residents aligning with the provisions of the Enfield Joint Health and Wellbeing Strategy which identifies the importance of housing as a determinant of health.
20. The works will help facilitate the safe removal of the gas and provide a new sustainable heating and hot water service offering better value to the occupants and is environmentally friendly.
21. The Contractors will be operating within the governments Covid Secure and CLC guidelines. They will be required to provide detailed method statements and risk assessments for each activity. The Council, Construction Manager and Principal Designer will review and comment on these plans prior to the commencement of activities.
22. All bids received allow for the currently known Covid related restrictions. It should be noted that additional restrictive measures may be introduced nationally or locally which may have negative impact on project delivery.
23. A comprehensive communications strategy has been prepared by TPAS (Tenant Participation Advisory Services) jointly with the council and is continually reviewed with the dedicated Resident Liaison Officer (RLO) appointed for the project. The RLO's duties includes enabling access and supporting residents whilst activities, surveys and works are carried out to their home.

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## Equalities Impact of the Proposal

24. Whilst we are procuring the design teams and trade contractor's we will be building in measures to address social value and help the Council meet its obligations under the Equalities Act 2010 and its Public Sector Equality Duties (PSED). These will include promoting local jobs and contract opportunities for BAME groups, training, work experience, apprenticeships and supporting local community projects. The recommended CM is committed to hosting buyer events for local SMEs to understand the opportunities that the project will provide and include a Social Value Charter with each Consultants agreement and Trade contract.

## Environmental and Climate Change Considerations.

25. A sustainability strategy has been prepared by the MEP Consultants that has guided the Design Consultant's through Stage 2 and now into Stage 3 that drive the specification of works. Where appropriate and relevant proposed materials and works will be in accordance with Approved Document L "conservation of fuel and power". It is intended that the solution will ensure the building achieves a minimum Sap of 86 (Energy Performance Certificate B).

26. The new District heating system proposed will connect to the expanding Council-Owned Energetik community heat network. This together with the retrofit works will go some way to enhancing the thermal comfort of residents, decreasing bills where possible and reducing carbon emissions from the residential sector in accordance with Enfield's Climate Action Plan and national targets.

27. Other heating options were considered as part of the Other options were considered with Hoare Lea – M&E and sustainability resource on the project prior to the commencement of the procurement process for the replacement heating:

Services Upgrade -	operational benefit			flexibility/ sequencing / disruption			Capital Ex			FM/ Maintenance Ex			SCORE
	score	weighting	weighted score	score	weighting	weighted score	score	weighting	weighted score	score	weighting	weighted score	
		20%			30%			30%			20%		
Air source heat pumps	3	20	60	2	30	60	2	30	60	2	20	40	220
Ground source heat pumps	1	20	20	1	30	30	1	30	30	2	20	40	120
Permanent gas boiler	3	20	60	2	30	60	2	30	60	3	20	60	240
District heating connection	4	20	80	3	30	90	4	30	120	4	20	80	370
Electric apartment heating	2	20	40	4	30	120	3	30	90	3	20	60	310
	scoring		0 unacceptable - proposal does not meet requirements										
			1 very weak - proposal meets requirement with large number of limitations										
			2 weak - proposal meets requirement with large number of limitations										
			3 good - proposal meets requirement with small number of limitations										
			4 very good - fully meets requirements										

The electric option would require an upgrade to the existing substation to sustain the additional loading that would be required associated to the pull from all flats. Consideration has been given to this as an alternative if this could be calculated to accelerate timescales and have a positive impact on costs, but a view on pricing from the M&E Consultant at Kier is at least £1.6 million without costs for associated building works (which would include essential works to replace the laterals and upgrade the supplies to the block) and prelims. In comparison with tendered prices for the district

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heating approach, this option would not necessarily reduce the costings and is not the route that has been procured.

In considering this option at the current time, account must be taken for a procurement process, and once awarded, the full design by the successful contractor. The timeline for these activities plus the installs would require a timeline of at least a year to eighteen months.

A review on costs impacts to residents would also need to be undertaken alongside the impact of this approach on the essential building safety works programme currently designed to correlate procured district heating route.

28. Generally, and specifically, where possible the materials to be specified are those with the lower/least environmental impact commensurate with the required performance standards being met such as water based rather than solvent-based coatings.

**Risks that may arise if the proposed decision and related work is not taken**

29. Risks associated with not proceeding with the recommended award and the impact on subsequent works are detailed in the below table.

Risk Category	Risk	Mitigation	Likelihood	Impact
Statutory/Legal	The Council is in breach of its statutory and regulatory duties as landlord	Interim measures have been instigated to ensure residents remain safe, until such time as the gas service is decommissioned, thus mitigating the immediate need to decant the block	High	High6
Financial	Failure to decommission and provide an alternative heating source, will required decant of 126 homes into Temporary Accommodation, plus the costs associated with disbursements, which will be significant.  Failure to undertake works may result in legal action and associated direct and indirect costs.	Interim measures as described above.  The award of contracts to ensure that alternative heating provision is made prior to the termination of the gas supply	High	High
Reputational	Failure to take action will result in significant reputational damage, given the national press coverage of similar scenarios in both Harringay and Southwark.	Interim measures as above.  Proactive engagement with Cadent  The award of contracts to ensure that alternative heating provision is made prior to the	High	High

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		termination of the gas supply.  Proactive engagement with residents Notification of the press team		
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**Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

30. Risks associated with awarding the District Heating Contract & associated contracts as advised and mitigating actions:

<b>Risk</b>	<b>Mitigating action</b>	<b>Residual risk high/low</b>
Necessary skills, and experience to deliver the works under Construction Management.	<p>The proposed Company are highly experienced in delivering these types of works and have demonstrated and provided such evidence in the technical qualification submission of their Tender.</p> <p>The weighting criteria applied to the ITT was split at 60% Quality /40% price where written statements required under the quality submissions were assessed.</p>	Low
Compliance with 2015 Public Contracts Regulations	Services have been procured using utilising the Councils E-Tendering Portal.	Low
Contractual matters	The Councils requirements are built into the JCT Design & Build Contract 2016 Edition (V2 and tender documentation.	Low
Performance of the Contractors.	Structured and regular design, technical and progress meetings to be held to monitor programme and performance. Robust systems in place to capture, share and store information from deign to completion of works on 4Projects.	Low
Coronavirus	Service continuity maintained. Please refer to Appendix 1.	Medium

**Financial Implications**

31. The budget for this project was approved as part of the rent setting report in February 2021, these costs are included in the HRA 30-year business plan.

**Legal Implications**

Prepared by Claire Paine based on version of report circulated 4<sup>th</sup> January 2022.

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32. Under Section 1(1) Localism Act (2011) the Council can do anything individuals' generally may do provided it is not prohibited by legislation and subject to public law principles. There is no expressed prohibition, restriction or limitation contained in statute law against the use of this power in this manner proposed in this report.
33. Under Section 111 of the Local Government Act (1972) the Council has power to do anything (whether involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
34. The Homes (fitness for human habitation) Act (2018) requires landlords to ensure that property (under their ownership and/or control) is fit for human habitation on the occupation date and for the duration of a contract. It is no longer possible for Landlords to argue that works are not required merely because there is no disrepair. Repairing obligations imposed under Section 11 of the Landlord & Tenant Act (1985) covers the structure, and the exterior including drains, gutters, external pipes, installations in homes including water, gas, electricity and sanitation with the Landlords obligations extending to any part of the building in which they have an estate or interest.
35. The value of the contract is below the public procurement threshold for works and therefore the Public Contract Regulations 2015 (PCR 2015) do not strictly will apply. However, in carrying the procurement, officers must have complied with the requirements of the Contract Procedure Rules (CPR) which state that at least 5 quotations must be sought. If less than five quotations are received, the Service must seek the relevant level of approval within their service to award and demonstrate that value for money has been demonstrated/achieved.
36. The contract procured must be in a form approved by Legal Services on behalf of the Director of Law and Governance and must be executed as a Deed by affixing the Council's seal.
37. In respect of any contract with a value of £1m and over, the Council's CPR (7.2) state that the contractor must be required to provide sufficient security. 'Sufficient security', means one of the following: (i) parent company, ultimate holding company or holding company guarantee where their finances prove acceptable; (ii) director's guarantee or personal guarantee where their finances prove acceptable; (iii) performance bond, retained funds or cash deposit; or (iv) any other security as determined by Financial Management Services and/or Legal Services. Evidence of the form of security required or why no security was required must be stored on the E-Tendering Portal for audit purposes.
38. As the value of the contract exceeds £500,000, officers must ensure this report follows the Council's Key Decision process.
39. The Council must comply with its obligations relating to the obtaining of best value under the Local Government (Best Value Principles) Act (1999).

**Workforce Implications**

40. At this time this report carries no expressed or implied implications for the Councils current workforce as the described services will neither be carried out nor completed by its employees.
41. A separate Employers Agent Consultancy appointment has been made, to ensure that the Council has adequate resources deployed to manage a complex project of this

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nature and ensure as Client, that the required level of Governance and Assurance is in place to ensure a successful outcome for residents.

**Property implications.**

42. HRA Property Implications: These are found throughout this report. Corporate Implications: None

**Other Implications - Procurement**

43. A business case approving the route to market was presented and approved by Procurement Services.

44. The procurement was undertaken using London tenders Portal (LTP), reference **DN578778**, in accordance with the Councils Contracts Procedure Rules (CPRs)

45. As less than five quotes were received the Service must ensure that the relevant level of approval within their service to award and demonstrate that Value for Money (VfM) has been demonstrated/achieved. The decision must be recorded in writing and all documentation supporting the decision retained in the LTP.

46. In accordance with the CPRs the Supplier must be required to provide sufficient security. Evidence of the form of security required, or why no security was required, must be stored and retained on the LTP for audit purposes. As the contract is over £500k the service must ensure that sufficient security has been considered

47. The award of the contract, including evidence of authority to award, promoting to the Councils Contract Register, and the uploading of executed contracts will be undertaken on the London Tenders Portal (LTP), including future management of the contract.

48. In accordance with the Councils CPR's the service must ensure that a Contract Manager is nominated and allocated to the procurement once uploaded onto the LTP, and that the monitoring requirements are adhered to.

49. The awarded contract will be promoted to Contracts Finder to comply with the Government's transparency requirements.

**Options Considered**

50. The cost of decants and the timescales to identify suitable homes are significant and do not provide the Council with a practical medium to long term solution regarding the future of residents or the building.

**Conclusions**

51. Given the detrimental impact on residents, from the removal of the gas service by Cadent the Council must act swiftly to secure the safety of residents and the security of its assets, whilst ensuring residents can safely remain in their homes.



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Date of report: 25/01/2022

**Appendices**

Appendix 1 – Part 2 Confidential Report