

Committee: Housing Management and Almshouses Sub Committee	Date: 30 January 2014
Subject: Detailed Options Appraisal – Boiler Replacement Programme 2013-14 and 2014-15	Public
Report of: Director of Community and Children's Services.	For Decision

Summary

Dashboard

Project Status	Green
Time Line	<p>This boiler replacement project has been a part of the Asset Management Programme since 2010/11. Owing to changing priorities, the programme was formally put on hold.</p> <p>Since that time, as they have failed, boilers have continued to be replaced via the responsive repairs and maintenance budget. Furthermore, external funding from the Department of Energy and Climate Change (DECC) via the Greater London Authority (GLA) was secured and used to replace 51 boilers. This has reduced the number of boiler renewals required to be carried out through this project.</p> <p>The scope of the project is now estimated to be 90 boilers across 6 Housing Estates: Dron House, Holloway Estate, Southwark Estate, Sydenham Hill Estate, William Blake Estate and Windsor House.</p> <p>The anticipated timeline of this project is as follows:</p> <p>Gateway 4 / options appraisal – December 2013/January 2014</p> <p>Selection of contractor to March 2014</p> <p>Gateway 5 / authorisation – March 2014</p> <p>Gateway 6 / works commence – April 2014</p> <p>Gateway 7/ works completion – July 2014</p>
Programme status	Pending Gateway 4 Options Appraisal Approval.
Approved works budget	None.
Latest estimated cost of works	£278,400- £323,100
Expenditure to date	None.

Context

A Decent Home should meet the statutory minimum standard for health and safety; be warm, weatherproof and have reasonably modern facilities. A central heating system which is efficient and programmable forms part of the four key components of the Decent Homes standard. Government guidance is that boilers over 15 years old are likely to be non-decent.

Furthermore, in April 2006, Part L of the Building Regulations (Conservation of fuel and power) was amended to require new boilers to be 'A rated' for energy efficiency. A boiler is acknowledged as an integral part of the energy efficiency rating within a home. The boilers identified for renewal through this project require replacement to meet these

standards.

The Decent Homes standard was met in the properties covered by this project in 2010, however, the properties now require replacement boilers, as they are nearing, at, or have gone beyond the optimal replacement time of 15 years.

The efficiency of new boilers outstrips the performance of existing boilers which will improve the living conditions of residents; meeting sustainability requirements, lowering fuel costs and providing a higher degree of thermal comfort.

Brief description of project

To replace boilers in tenanted properties that are nearing, at, or over 15 years old at: Dron House, Holloway Estate, Southwark Estate, Sydenham Hill Estate, William Blake Estate and Windsor House.

Options

Option 1 is a structured approach to replacing the boiler units as a project, and bringing the units up to the required standard. The approach will achieve economies of scale as a contractor is able to submit a more competitive tender where carrying out a high number of boiler replacements at one time.

Option 2 is a reactive approach to replacing each boiler unit as and when they fail. Owing to the unplanned nature of the works, replacement costs will be higher where works are carried out to individual boilers one at a time, rather than as a structured programme. Furthermore, there will be continued expenditure on repair and maintenance in the meantime.

Description	Option 1 £	Option 2 £
Works Costs	£270,000 (90 units at £3k)	£315,000 (90 units at £3.5k)
Fees/Staff Costs	£5400 £3000 for M&E sample check of completion quality	£8100
Tolerance +/-	+/- 15%	+/- 15%
Funding Strategy		
Source	Capital funded from Housing Revenue Account (HRA)	Responsive Repairs Budget funded from the HRA
Total Funding Requirement	£278,400	£323,100

Recommendations

Option recommended to develop to next Gateway

Option 1.

Next Steps

Carry out consultation with relevant stakeholders.
Appoint suitable contractor to undertake the works.
Seek approval to commence works at Gateway 5.

Level of approval for Detailed Design (if required)

N/A

Resource requirements to reach next Gateway and source of funding

Staff time involved in undertaking work to engage stakeholders and securing a contractor.

Plans for consultation prior to the next Gateway report

- Consultation with Town Clerks, Chamberlain's and City Surveyors to confirm continued viability of project.
- Engagement with the Property Services team who will be undertaking surveys and monitoring the delivery of works through the project.
- Initial consultation with residents of affected properties to advise them of the scope of the planned works.

Procurement strategy

The required works are under the OJEU limit and will therefore follow the traditional tender route; a full-scale tender process is not required. It is possible that the works could form part of an existing gas servicing contract which includes a rate for boiler replacements rather than carrying out a tender process. (Further detail at Item 17).

Tolerances

Tolerances are required owing to the fact the complexity of installation works will vary between properties dependent upon the quality of the current system. In some properties, the replacements will be simple, for example, requiring limited changes in pipework layout, and as such will cost less than a more complex boiler replacement. Because of this uncertainty, the project requires a tolerance of 15% either way for both Option 1 and Option 2.

Overview

1. Evidence of Need	<p>The current boilers that are nearing, at, or more than 15 years old are inefficient and require high repair and maintenance expenditure.</p> <ul style="list-style-type: none">• In 2012/13, £80,277.81 was spent on repairs and maintenance to the boilers on the estates addressed via this project. [Note – some of this cost will be for legal requirement of the annual Gas Safety check (CP12); it has not been possible to filter for this.]• In 2012/13 £15,069.82 was spent on 5 boiler replacements. This most expensive was £4044.56, the least expensive was £2421. <p>The replacement boilers will be the more energy efficient condensing boilers. This will greatly assist our residents' thermal comfort and reduce their personal expenditure on energy costs.</p> <p>Meeting our regulatory Decent Homes obligations.</p>
2. Success Criteria	<p>Completion of all required boiler replacements.</p> <p>Recording those boilers that have been replaced, so that future programmes can be planned effectively.</p>
3. Project Scope and Exclusions	<p>Replacement of existing boilers that are nearing, at, or over 15 years old. The properties requiring the works have been identified at Dron House, Holloway Estate, Southwark Estate, Sydenham Hill Estate, William Blake Estate and Windsor House.</p> <p>The project does not formally seek to address properties identified as requiring a full Central Heating System</p>

	<p>upgrade, as that is part of another project. However, no property will be left with a substandard heating system, should unanticipated upgrade works to the heating system be identified at the point of survey, they will be carried out as a part of this project.</p>
<p>4. Link to Strategic Aims</p>	<p>SA2: To provide modern, efficient and high quality local services and policing within the Square Mile for workers, residents and visitors with a view to delivering sustainable outcomes' .</p> <p>The project supports this aim with a particular focus on efficiency and co-related sustainability improvements to individual residents' homes.</p>
<p>5. Within which category does the project fit</p>	<p>2 Statutory [within the context of Decent Homes regulation].</p> <p>7a) Asset enhancement/improvement (capital)</p>
<p>6. What is the priority of the project?</p>	<p>Essential.</p>
<p>7. Governance arrangements</p>	<p>The progress of the project will be reported to the Community and Children's Services Committee which will oversee the project to ensure it meets the programme timescales and agreed budget.</p>
<p>8. Resources Expended To Date</p>	<p>Nil. The project was proposed 3 years ago, and has since been on-hold owing to higher priority projects taking precedence. In the meantime, a number of boiler replacements have been carried out under reactive repairs works and externally funded works which has reduced the necessary scope of this project.</p>
<p>9. Results of stakeholder consultation to date</p>	<p>Consultation with internal departments, including Town Clerks, Chamberlain's and City Surveyors has been carried out and feedback incorporated into this report.</p> <p>Stakeholder consultation has not yet been carried out with the affected residents; it will be done as part of the surveying and project set-up process.</p>
<p>10. Commentary on the options considered</p>	<p>Option 1 is a structured approach to replacing the outstanding boiler units as a project, and bringing the units up to the Decent Homes standard. The approach will achieve economies of scale as a contractor is able to submit a more competitive tender where carrying out a higher number of boiler replacements at one time. It is anticipated that the average cost of boiler replacement under Option 1 will be £3000.</p> <p>Option 2 is a reactive approach to replacing each boiler unit as and when they fail. Owing to the unplanned nature of the works, replacement costs will be higher where works are carried out to individual boilers one at a time, rather than as a structured programme. Furthermore, there will be continued expenditure on repair and maintenance in the</p>

	<p>meantime.</p> <p>It is not good practice to wait for a device to fall beyond repair before upgrading it. Furthermore, it offers a lesser service to our residents to require them to continue residing in a property with an aging boiler, and the higher expense and reduced thermal comfort this offers.</p>
11. Consequences if project not approved	<p>The boilers will continue to degrade, and once they fail completely, will require immediate replacement.</p> <p>Continued spending on responsive repairs to maintain the current systems.</p> <p>Failure to provide the required facilities to residents and the health and wellbeing impact, and likely dissatisfaction that this will cause our customers.</p> <p>The properties in question failing to meet the regulatory requirement of the Decent Homes standard.</p>

Information Common to All Options

12. Key benefits	<p>Reduced spending on the responsive repairs budget and less unplanned, emergency replacements.</p> <p>Improved facilities for residents.</p> <p>Achievement of Decent Homes standard.</p> <p>Higher levels of environmental sustainability within the City of London Corporation owned properties.</p>
13. Programme and key dates	<p>The project is anticipated to follow this schedule:</p> <p>Gateway 4 / options appraisal – December 2013/January 2014</p> <p>Selection of contractor to March 2014</p> <p>Gateway 5 authorisation – April 2014</p> <p>Gateway 6 / works commence – April/May 2014</p> <p>Gateway 7/ works completion – late 2014</p>
14. Constraints and assumptions	<p>Boiler repairs, maintenance and replacements form part of the City of London Corporation's core landlord functions; undertaking a wider programme of replacements is not anticipated to be an overly problematic project.</p> <p>It is noted that should there be a series of more costly installations, raising the likelihood of significant increases in costs across the project, that these will be reported back to the Committee during the project.</p>
15. Risk implications	<p>Low risk – the project is formed of minor works to individual properties.</p> <p>As per Items 17/22 below, there is currently some uncertainty around which contractor will be appointed for this project. This will be resolved prior to works commencement and as such does not pose a risk to the completion of the works required under the project.</p>

16. Stakeholders and consultees	Members, Department of Community and Children's Services Officers, Town Clerks and Chamberlains, City Surveyors and residents of the estates. [In this case, leaseholders will not be consulted as there will be no impact upon leaseholder service charges.]
17. Legal implications	There is currently a contract between PME-Carillion and the City of London Corporation for repairs, maintenance and replacements of heating installations. It is possible that the project could be carried out under this contract. However, should this route not provide value for money then a tender process will take place.
18. HR implications	None.
19. Benchmarks or comparative data	None.
20. Funding strategy	The funding for the project will come from the Housing Revenue Account (HRA) whether via the reactive repairs and maintenance budget (if Option 2) or the HRA-funded capital programme (if Option 1) dependent upon the approach confirmed.
21. Affordability	Option 1 is the more affordable of the two options. Further value is achieved in terms of efficiency, as the replacements will be completed simultaneously in a planned fashion, with lower staffing costs. Option 2 has a higher cost and a further element of cost uncertainty, as it is not possible to know in advance what financial year the individual devices will fail in.
22. Procurement approach	As Item 17 above, there may be some variance in procurement approach, dependent upon current contract providing value for money

Detailed Options Appraisal Matrix

N/A.

Appendices

N/A.

Contact

Report Author	Amy Carter
Email Address	Amy.Carter@cityoflondon.gov.uk
Telephone Number	0207 332 3768