

DRAFT

REPORT TO: HOUSING COMMITTEE – 14 JANUARY 2013

REPORT ON: KIRK STREET ECO PROJECT

REPORT BY: DIRECTOR OF HOUSING

REPORT NO.: 10-2013

1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to seek approval for a pilot ECO (Energy Company Obligation) Project at Kirk Street multi-storey (MSD) and low rise developments. The project is for installation of external wall insulation, district heating and kitchen and bathroom upgrades.

2. RECOMMENDATIONS

- 2.1. It is recommended that the Committee:
- i. agree the contents of this report;
 - ii. agree to the funding by Scottish Gas of an additional staff resource for an initial period of 12 months and notes that the Director of Housing and Head of Personnel will progress this via the establishment change process;
 - iii. authorise the Director of Housing to enter into an agreement with Scottish Gas to secure the project;
 - iv. agree to the Project/Construction Team currently undertaking works at Whorterbank/Lansdowne MSD transferring to this project immediately after their completion

3. FINANCIAL IMPLICATIONS

- 3.1. The overall projects costs are as follows:

Cost to Council	£5,001,250
Scottish Gas ECO Contribution	£2,800,000
Scottish Government National Retrofit grant	£ 256,000
Total Cost	£8,057,250

Allowances for the full cost of this project will be made in the Capital Estimates 2013/14 – 2017/18. Previously an allowance of £3,389,000 had been made for the insulation of the uninsulated low rise blocks and the kitchen and bathroom elements of this work in the Capital Estimates 2012/13 agreed in January 2012.

The Scottish Gas contribution includes funding to provide a Tenant Liaison Officer.

4. MAIN TEXT

- 4.1.1. The Housing Department has been working closely with Scottish Gas to make energy saving improvements for residents of the MSD blocks of flats in Dallfield, Whorterbank and Lansdowne using Community Energy Saving Programme (CESP) monies.

This has ensured that the blocks are modernised to SHQS standards and assist in delivering the Council's aims of eliminating fuel poverty and reducing carbon emissions. CESP funding has now come to an end and under the new Green Deal/ECO programme an opportunity has arisen to secure funding from Scottish Gas and the Scottish Government for Adamsons and Elders Court and Kirk Street 2nd Development Low Rise blocks. The Scottish Government funding falls under the National Retrofit Programme Pilot.

- 4.1.2. In order to secure funding from the Scottish Government bids had to be submitted in November 2012 and the projects needed to be “shovel ready” to ensure expenditure of the grant by the end of March 2013. Additionally it was a requirement to include owner occupiers in the project, and for this reason we have included owner occupiers in the project who are resident in the presently uninsulated blocks. They will not be billed for these works as this is covered by the Retrofit grant.
- 4.1.3. A central requirement of the bid to Scottish Government was demonstrating continuity of employment from the CESP programme. As a result of this the intention is to progress the Kirk Street project using the same project management and workforce presently employed at the Whorterbank and Lansdowne CESP.
- 4.1.4. Achieving thermal standards required by SHQS in MSD blocks is difficult and costly primarily because it is not easy to achieve an adequate level of external insulation, nor is it feasible to provide homes that are warm and energy efficient using individual dwelling electric heating and hot water systems.
- 4.1.5. By upgrading the external insulation and render and installing a gas-powered district heating system ECO funding provides a mechanism to achieve SHQS compliance, provide warm, comfortable homes for tenants and address fuel poverty.
- 4.1.6. District heating is a system that distributes heat generated from an energy centre via a network of insulated pipes into individual homes. The energy centre is a building which houses the gas-boilers which heat the water which is distributed to the individual flats via a network of pipes. Radiators just like the ones associated with a 'wet' central heating system are fitted in the flats together with individual heat-exchangers which take the place of boilers. District heating is a cost effective and realistic method for reducing carbon emissions.
- 4.1.7. The Council does not have the resources to install a new external insulation and render system along with a district heating system due to the high level of initial capital expenditure. However the Housing Department working with Scottish Gas has been able to access funding under the ECO programme through Green Deal and this will allow a comprehensive project to go ahead.

4.2. **Options Appraisal**

- 4.2.1. An Options Appraisal has been completed.
- 4.2.2. Option 1 – Full project as above.
- 4.2.3. Option 2 – Dundee City Council investment only:
 - Kitchen and bathroom upgrades to the MSD flats
 - Heating, kitchen and bathroom to all low rise flats
 - External insulation to uninsulated low rise blocks

Non Monetary Costs/Benefits – Impact Statement

Objectives	Option 1	Option 2
Ensure that the multi storey developments and low rise meet SHQS by 2015.	Y	N for MSD Y for low rise
Reduce carbon emissions.	Y	Y
Improve the popularity of the multi-storey blocks enhancing lettability.	Y	N
Meet tenant aspirations.	Y	N
Enhance the quality of the environment and external appearance of the blocks.	Y	N
Contribute to the regeneration within Lochee.	Y	N
Maximise and harness external resources for investment in the blocks.	Y	N
Contribute to the alleviation of fuel poverty within an area of multiple deprivation.	Y	Y

- 4.2.4. Option 1 is recommended since this meets Council Strategic Objectives and provides best value to the Council by harnessing the contribution from Scottish Gas and the Scottish Government whilst providing best value to the HRA.

4.3. Contract Format

- 4.3.1. The project will be secured on the principles of a Design and Build Contract for use in Scotland. All permissions and approvals, including building regulation compliance, planning and building controls, will be the responsibility of Scottish Gas and will be incorporated into the contract.

The contract format meets with the approval of the Council's Corporate Services Department.

- 4.3.2. Scottish Gas proposes to retain the services of their current sub-contractors in the interests of transferring knowledge and skills and securing continuity of employment. This is also a condition of both the Scottish Government grant and ECO funding. The main electrical and plumbing contractor is McGill Electrical Ltd. Opportunities for training and employment will be maximised.

4.4. Project Timescale

- 4.4.1. The programme would be planned to commence on site in early 2013 and run for 12-15 months. The Scottish Government grant needs to be expended by the end of the 2012/13 financial year necessitating an early start on site.

4.5. **Maintaining Standards**

- 4.5.1. The Housing Department Service Standards and our Contractors Code of Conduct will be incorporated in the contract.
- 4.5.2. Tenants will be entitled to all allowances afforded to them as part of the Tenants Allowance Policy (Tenants Allowances Update Report – March 2012).
- 4.5.3. Agreement has been reached and financial commitment made by Scottish Gas to finance the provision of Tenant Liaison Services to be delivered by the City Council's Housing Department for the period of the contract. This exceeds the on-site completion of physical measures to ensure effective liaison in dealing with defects, issuing decoration cards and provide heating demonstrations and advice continue for some time afterwards.

4.6. **Metering**

- 4.6.1. The scheme will incorporate the arrangement whereby residents pay only for the heat they use via an internet-enabled metering arrangement. This will allow them to pay for their fuel via the internet, by phone, by direct debit or by calling into one of the designated Council offices which have a point-of-sale. This is the same arrangement in use at Dallfield and Whorterbank/Lansdowne MSDs.

4.7. **Tenant Expectations**

- 4.7.1. Existing and new tenants of the Kirk Street developments can expect a real transformation to their blocks over the coming years. The partnership with Scottish Gas will result in a substantial investment that will keep their flats warmer, reduce heat loss through the walls and give the blocks a whole new appearance. The proposed district heating system will make a real difference to tenants by making their homes more energy efficient and more comfortable to live in with dramatically lower heating bills, estimated to be up to 30-40% lower. Tenants can also look forward to modern kitchens and bathrooms being installed.
- 4.7.2. There is an ongoing dialogue and consultation with residents in the area about local management initiatives and housing support packages to those who want them, in order to prevent antisocial behaviour and restore residents' confidence in the area.
- 4.7.3. Similar to the previous CESP consultations there will be a Community Open Day arranged for residents and held in a community facility easily accessible to all.

This will give them the opportunity to find out more about the proposed work in the area and the benefits of making their homes more energy efficient. There will be opportunities to seek advice from a number of other agencies including the Scottish Gas ECO Team, Dundee City Council, Scottish Gas Home Energy Care, Citizens Advice Bureau and local residents groups.

5. **POLICY IMPLICATIONS**

- 5.1. This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.
- 5.2. An Equality Impact Assessment has been carried out and will be made available on the Council's website: <http://www.dundee.gov.uk/equanddiv/equipact/>

6. **CONSULTATIONS**

- 6.1. The Chief Executive, Director of Corporate Services, Head of Democratic & Legal Services and all other Chief Officers and the Dundee Federation of Tenant Associations have been consulted in the preparation of this report. No concerns were expressed.

7. **BACKGROUND PAPERS**

- Five Year Housing Capital Budget from 2011/12 to 2015/16 Revision (ref 19-2011 – January 2011).
- Tenants Allowances Update Report (ref 120-2012 - March 2012).
- Equality Impact Assessment.

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DECEMBER 2012