



Key Decision Report of the Service Director, Housing Needs and Strategy

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| | Date: 23rd February 2017 | Ward(s): Highbury East |
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SUBJECT: Procurement Strategy for an Enerphit/ Passivhaus pilot retrofit and new build scheme at 173 Highbury Quadrant.

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of the Enerphit pilot retrofit and Passivhaus new build pilot scheme at 173 Highbury Quadrant in accordance with Rule 2.5 of the Council's Procurement Rules.
- 1.2 Enerphit and Passivhaus standards provide a high level of occupant comfort while using very little energy for heating and cooling. Passivhaus standards pay meticulous attention to detail, design and construction. Enerphit standards relate to existing buildings while Passivhaus standards relate to new build properties.

This pilot scheme will enable the Council to assess the financial and performance benefits of Enerphit/Passivhaus standards for further consideration/inclusion for future schemes. These schemes carried out elsewhere have indicated that savings on energy bills in excess of 75% can be achieved.

2. Proposed decision

- 2.1 To approve the procurement strategy for an Enerphit/Passivhaus pilot retrofit and new build scheme at 173 Highbury Quadrant as outlined in this report.

3. Date the decision is to be taken: 21 March 2017

4. Background

4.1 Nature of the service

A proposal for an Enerphit/Passivhaus pilot retrofit and new build scheme was agreed by the New Homes Board in June 2011.

The property at 173 Highbury Quadrant was earlier considered for disposal on the grounds that it has major structural problems and was considered uneconomic to repair. The condition of the property gives cause for concern and is likely to deteriorate without significant investment.

The proposals for 173 Highbury Quadrant provide for the retrofit of the existing three storey building and the erection of a new three storey extension to the flank wall.

The building currently occupies an end of terrace plot with a large deep garden accessed through a side gate. There is current provision for off-street parking. The building consists of four small flats. The proposal will provide two x one bedroom, two person flats and a one x three bedroom, five person flat within the existing building. Adjoining the existing building a new build three bed, six person family house is to be developed. In order to make the scheme financially viable, it is intended that one of the 3 bedroom units will be for outright sale, while the remaining units will be for social rent.

The scheme was designed, consulted on and achieved planning permission in December 2013. All permanent residents were re-housed in June 2016. Other units within this property are currently being utilised as temporary accommodation.

The Council's New Build Framework 2014-2019 does not include any design and build contractors that are certified to undertake Enerphit/Passivhaus works. A traditional form of procurement is now proposed which will enable the appointment of suitable contractors who can work to Enerphit/Passivhaus standards.

The detailed design for the scheme and necessary surveys are ongoing and this will produce a full set of tender documents for this project.

4.2 Estimated Value

The estimated value of this project is £1.3m and the contract period is estimated to be seven months plus a twelve month defect period. The works will be funded through the New Build Capital Programme.

4.3 Timetable

There are significant ongoing costs related to this building, it is important that the programme of works for this project is progressed as quickly as possible.

Survey and investigative work to foundations is ongoing and the formal procurement process will commence on approval of this report. It is anticipated that the procurement process will result in a start on site by July 2017 with completion in February 2018.

4.4 Options appraisal

The council does not have a framework which is appropriate for this type of specialist work; therefore the preferred procurement route is a competitive tender process using the Restricted Procedure. As these are specialist Enerphit/Passivhaus works it is essential that the Council employs contractors who are certified to these standards.

This is a very specific requirement, unique to the Council, and there are no vested interests elsewhere for collaboration to be considered.

4.5 Key Considerations

The requirement to pay the London Living Wage will apply to this contract.

Best value is being considered in terms of balancing the need to deliver this project quickly with the need to deliver it at a competitive price by competitive tendering.

Economic sustainability is being achieved through efficient project delivery so that vacancy costs are minimised. Social sustainability is being considered through making efforts to considerably improve the affordability for residents in the building by going beyond the Council's legal requirements under building regulations. Environmental sustainability is being considered in the design. The new components of the building will be reinstated to modern building regulation standards. This particularly applies to the energy efficiency of new boilers and the thermal performance of the new roof and increased thermal insulation. Additionally water appliances will also be installed to new water-saving standards.

There are no TUPE, pension or staffing implications.

4.6 Evaluation

This tender will be conducted in two stages, known as the Restricted Procedure as the tender is 'restricted' to a limited number of organisations. The first stage is Selection Criteria through a Selection Questionnaire (SQ) which establishes whether an organisation meets the financial requirements, is competent and capable and has the necessary resources to carry out the contract. The SQ is backwards looking and explores how the organisation has performed to date, its financial standing, information about their history and experience.

A limited or 'restricted' number of these organisations meeting the SQ requirements as specified in the advertisement are then invited to tender (ITT). The second stage ITT is forward-looking using Award Criteria. Tenders are evaluated on the basis of the tenderers' price and ability to deliver the contract works or services as set out in the evaluation criteria in order to determine the most economically advantageous offer.

The evaluation will be based on a 60% quality and 40% cost split.

The tenderers will be asked to demonstrate experience against six quality sub-criteria which are central to the successful delivery of the project. The quality criteria assessment will be based upon the following areas and respective weightings:

- 15% Proposed approach to working with the design team.
- 15% Proposed approach to quality management and workmanship
- 10% Risk assessment evaluation specific to this site
- 10% Proposed approach to managing sustainability
- 5% Proposed approach to site set up including Health and Safety
- 5% Proposed programme of works

4.7 Business Risks

The key business risks are as follows:

1. No acceptable tender responses from appropriate contractors. To mitigate this risk the tender opportunity will be advertised as widely as possible
2. Our evaluation criteria are not robust. To mitigate this risk, the evaluation criteria will focus on the respective outputs and outcomes for the project
3. Increased costs for unforeseen works. To mitigate this risk the design team are undertaking the

necessary surveys and investigation work to inform the tender process

4. Market forces and inflationary pressures could inflate the estimated contract value

- 4.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to sign the Council's anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.
- 4.9 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.6 of the Procurement Rules:

| Relevant information | Information/section in report |
|--|---|
| 1 Nature of the service | The procurement of a suitable contractor through a competitive tendering process to carry out specialist refurbishment and Enerphit/Passivhaus work to 173 Highbury Quadrant See paragraph 4.1 |
| 2 Estimated value | The contract has an estimated value of £1.3m of Islington Council spend. See paragraph 4.2 |
| 3 Timetable | The timetable is outlines within this report. Estimated contract start date is: July 2017 See paragraph 4.3 |
| 4 Options appraisal for tender procedure including consideration of collaboration opportunities | Outcome of options appraisal are described within this report. See paragraph 4.4 |
| 5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications | Outcomes are described within this report. See paragraph 4.5 |
| 6 Evaluation criteria | The award criteria price/quality breakdown is more particularly described within the report. See paragraph 4.6 |
| 7 Any business risks associated with entering the contract | Business risks are described within this report. See paragraph 4.7 |
| 8 Any other relevant financial, legal or other considerations. | See paragraphs 5.1 – 5.3 |

5. Implications

5.1 Financial implications:

The estimated value of this contract of this is £1.3m and has been budgeted for / included in the latest 7

year New Build Capital Programme.

5.2 Legal Implications:

The council as a local housing authority has powers to provide housing accommodation by erecting houses (section 9, Housing Act 1985). The council has power to enter into a works contract for this purpose (section 1 of the Local Government (Contracts) Act 1997).

Corporate directors have power to approve the procurement strategy for works contracts up to the value of £5million using capital money (council's Procurement Rule 16.2).

The proposed contract is a public works contract. The threshold for application of the Public Contracts Regulations 2015 (the Regulations) is currently £4,104,394.00 for public works contracts. Contracts below this threshold must be procured in compliance with the principles of equal treatment and non-discrimination that underpin the Regulations. The council's Procurement Rules require contracts over the value of £164,176.00 to be subject to competitive tender. The proposed procurement strategy, to advertise a call for competition and procure the services of suitable specialist contractor who can work to Passivhaus standards, using a competitive tender process, is in compliance with the principles underpinning the Regulations and the council's Procurement Rules.

On completion of the procurement process the contract may be awarded to the highest scoring tenderer subject to the tender providing value for money for the council.

5.3 Environmental Implications

The building of new dwellings has several environmental impacts, both during the construction of the buildings (material use, waste generation, nuisances such as dust and noise) and during the long-term occupation of the dwellings (energy and water use and transport facilities).

Mitigation measures are being put into place to reduce both sets of aspects. The contractor will be required to submit proposals on how they will keep their environmental impact to a minimum including their proposals for a Site Waste Management Plan.

Retrofitting the existing flats and constructing the new flats to Passivhaus standard will mean a significant reduction in energy use even compared to modern building standards. The development will be electric only, meaning no local carbon emissions. In addition, the dwellings will also meet the Code for Sustainable Homes, Level 4, which includes water-conscious design.

5.4 Resident Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

This report has positive impacts for residents in the provision of new sustainable homes. A formal resident impact assessment will be carried out to support this contract. The new development will include a new family home that will be designed to Islington's Flexible Homes Standard and have a positive impact on people with disabilities contributing to a fairer Islington. One of the new homes for social rent will be providing much needed family sized accommodation.

6. Reasons for the decision: (summary)

- 6.1 These much needed works are necessary to provide 3 homes for social rent. As the council does not have an appropriate framework in place to appoint a suitably experienced contractor to carry out the new build/refurbishment and Passivhaus works to the premises, it is recommended that a competitive tender procedure should be approved.

7. Record of the decision: (to be completed after 5 days on the website and re-sent to Democratic Services)

- 7.1 I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Signed by:

Service Director, Housing Needs and Strategy Date

Appendices

- None.

Background papers:

- None.

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