



Key Decision Report of the Corporate Director, Housing and Adult Social Services

Officer Key Decision	Date: 23 May 2017	Ward(s): Bunhill
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Delete as appropriate	Exempt	Non-exempt
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THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

SUBJECT: Contract Award for Redbrick Estate District Heating Renewal

1. Synopsis

- 1.1. This report seeks approval for the contract award in respect of Redbrick Estate District Heating renewal.
- 1.2. The proposed contract is to renew and upgrade the two existing district boiler plant rooms on the Redbrick Estate, carry out complete replacement of external distribution pipework and make provisions for the new build development to connect to the district heating. The works will also include the installation of new and efficient systems, controls, and pipework throughout all dwellings.

2. Recommendation

- 2.1. To approve the contract award for Redbrick Estate District Heating renewal to BSW Heating.

3. Date the decision is to be taken

23 May 2017

4. Background

- 4.1. Redbrick Estate Feasibility Study which reviewed the district heating systems highlighted a need for the renewal of the following:

- Existing plant room (excluding boilers at Steadman Ct Plant room)
 - All associated plant room pipework
 - All associated plant room components
 - All distribution pipework services
 - All internal systems
- 4.2.** Both district heating systems have been connected to Islington's Bunhill Heat Network Phase 1, which is providing energy efficient heating at lower costs.
- 4.3.** The Redbrick district heating systems will also utilise the planned Bunhill Heat Network Phase 2 upgrades which aims to deliver more heat to the estate, and make provisions for the New Build development to connect to the Redbrick Estate's district heating.
- 4.4.** The new installations shall reduce potential disruption to the service and improve the life expectancy of the estate's district heating. New energy efficient equipment shall reduce the estate's fuel consumption as well as providing improved user control and reducing waste heat energy from poorly insulated and inefficient areas of the system. All of these improvements shall assist Islington's residents with cheaper, more energy efficient fuel providing an economic, social and environmentally sustainable service.
- 4.5.** Part of this project is to make provision for the new build development to connect to the same district heating network as the existing buildings and the new build project will contribute towards the cost of this project.
- 4.6.** Various options were considered to address the concerns with aging Redbrick Estate District Heating Systems prior to the formation of the procurement strategy. The decision was taken to tender for the renewal works as per the feasibility report's recommendations.
- 4.7.** The tendering process for this contract was carried out in line with the procurement strategy approved on 23 September 2016, and the Council's Procurement Rules. The contract notice was published on the London Tenders Portal and a two stage 'restricted procedure' was followed.
- 4.8.** The award criteria used for this contract was 60% cost and 40% quality. The 40% quality was further broken down to:
- Proposed approach to planning, implementing, undertaking and delivery of the works - 25%
 - Proposed approach to communicating and liaising with residents - 10%
 - Proposed approach to managing service failure of the heating system - 5%.
- 4.9.** Three organisations submitted tenders. Please see Appendix 1 for the detailed evaluation results.
- 4.10.** The panel completed its evaluation of the tender responses. 'BSW Heating' was found to be the most economically advantageous to the council.
- 4.11.** The successful tender return value is £2.27m. There had been twelve expressions of interest at PQQ stage of whom four were successful in going through to the tender stage. All tender return costs came back above the council's estimated budget of £1.65m. All submitted bids were evaluated.

5. The London Living Wage will be a condition of this contract.

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.

6. Implications

6.1. Financial implications:

The pre tender estimated value of works in 2011 for Steadman Court was £800k. At a meeting of teams in December 2015 following the submission of the consultant's draft feasibility report for the whole of Redbrick Estate, Housing Investment Team (HIT) approved for additions to the scope of works an additional £950k totalling £1.750m.

Following the receipt of tenders another meeting held with HIT resulted in an increase of £525k taking the overall budget to £2.275m.

Budget contributions from the associated new build project along with GLA funding are detailed in appendix 1.

Four contractors were invited to tender, but only three contractors submitted bids. Following evaluation of the tender returns BSW Heating achieved the highest combined scoring for cost and quality.

The winning tender from BSW Heating in the sum of £2.274m is within the approval of £2.275m.

6.2. Legal Implications:

The Council is responsible for undertaking the repair of its housing estates, properties and installations pursuant to the Housing Act 1985. Accordingly the council may procure a contract for the Redbrick Estate District Heating renewal (section 1 Local Government Contracts Act 1997).

The estimated value of the procurement for the work is below the financial threshold for works contracts for the full application of the Public Contracts Regulations 2015. Although under threshold contracts do not need to strictly comply with the provisions of the Regulations, there is a requirement under EU rules for the procurement of such contracts to adhere to the principles of equal treatment, non-discrimination and fair competition. Further the council's Procurement Rules require contracts over the value of £164,176 to be subject to competitive tender. In compliance with the principles underpinning the Regulations and the council's Procurement Rules a competitive tendering procedure with advertisement has been used.

Bids were subject to evaluation in accordance with the tender evaluation model. BSW

Heating gained the highest evaluation score and may therefore be awarded the contract as recommended in the report.

There is a small risk to the council in proceeding with this procurement since the value of the successful tender is significantly above the initial estimate of the contract price stated in the contract notice. However the higher value is likely to be the proper market value since all tender responses contained prices that were above the council's estimated contract price of £1.65m. The risk is mitigated by the fact that there had been a good level of response to the contract notice, indicating that the incorrect estimation of contract price in the contract notice is unlikely to have been a disincentive for organisations operating in this market.

In deciding whether to award the contract to the recommended tenderer the Corporate Director of Housing and Adult Social Services should be satisfied as to the competence of the tenderer to perform the contract and that the tender price represents value for money for the Council. In considering the recommendations in this report the Corporate Director of Housing and Adult Social Services must take into account the information contained in the exempt appendix to the report.

An appropriate proportion of the costs of the contract will be recoverable from the leaseholders of the relevant properties pursuant to the service charges provision of their leases subject to the consultation requirements of section 20 of the Landlord and Tenant Act 1985 and the Consultation Regulations having been carried out.

6.3. Environmental Implications

The replacement of existing boiler plant, external district heating distribution pipework to dwellings and installation of new efficient radiators, hot water cylinders, associated controls and pipework for all the dwellings on the Redbrick Estate will have several environmental impacts, including energy used and waste generated during works (i.e. old pipework, radiators, controls and cylinders), as well as resource usage in terms of the new pipework, radiators, controls etc.). There is also a potential risk of biodiversity disturbance if works are carried out in areas typically used by protected species (wallspaces, lofts etc.). These risks will have to be mitigated by the contractor, who will also be legally required to follow the waste hierarchy.

Following completion, the works will have a long-term positive environmental impact, as they will increase the efficiency of the heating systems on the estate, reducing energy use and associated carbon emissions.

7. Resident Impact Assessment:

7.1. 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.

7.2. A resident impact assessment on this proposal was completed on the 03/09/2015 the findings were that Mechanical Building Services works of this type shall have no impact

on individual building users' characteristics.

8. Reasons for the decision:

Following a competitive tendering exercise that was advertised on the London Tenders Portal, BSW Heating has submitted the most economically advantageous tender (MEAT) based on the highest combined cost and quality score. This report therefore recommends that the contract for Redbrick Estate District Heating renewal is awarded to BSW Heating.

Record of the decision:

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

Signed by:

Corporate Director, Housing and Adult Social Services **Date**

Appendices

- Appendix 1 Redbrick (exempt).
- Appendix 2 Redbrick - Observations (exempt).
- Appendix 3 Redbrick – Cost Breakdown inc. New Build (exempt).
- Appendix 4 Redbrick - New Build Contribution Conformation (exempt).
- Appendix 5 Redbrick - GLA Funding Conformation (exempt).

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