



Report of: Executive Member for Housing and Development
Executive Member for Environment and Transport

Meeting of:	Date	Ward(s)
Executive	9 February 2017	Bunhill, Tollington, Clerkenwell & Mildmay

Delete as appropriate	Exempt	Non-exempt
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SUBJECT: Procurement Strategy - High Rise Insulation Project

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of 1617-0579 High Rise Insulation Project in accordance with Rule 2.5 of the Council's Procurement Rules.
- 1.2 The project will deliver external wall insulation (EWI) to 304 properties in the council's housing stock at Arlington House, Gambier House, Haliday House and Ilex House. It is estimated that the project will save an average of £245 per year from each property's heating bills and save approximately £1.6m in future concrete repairs over the lifetime of the EWI and cladding, over a period of 42 years.

2. Recommendations

- 2.1 To approve the procurement strategy for the High Rise Insulation project as outlined in this report.
- 2.2 To delegate authority to award the contract to the Corporate Director of Housing and Adult Social Services in consultation with the Corporate Director of Environment and Regeneration and the Executive Members for Housing and Development and Environment and Transport.

3. Background

3.1 Nature of the service

This report seeks approval to procure a contractor to apply external wall insulation to insulate a total of 304 properties at three high-rise blocks (Haliday House N1, Ilex House N4 and Gambier House EC1) and one smaller low rise block (Arlington House EC1). The council has now successfully insulated

99% of its cavity wall housing stock, the majority between 2009 and 2013. The remaining un-insulated cavities can't be insulated for technical reasons. Attention has now turned to external wall insulation for solid wall and system built properties, to alleviate the generally higher levels of fuel poverty in that type of stock. The blocks that are the subject of this report are all of system built construction. The three high-rise blocks (Haliday, Ilex, Gambier) have external walls constructed of concrete sandwich panels, with minimal insulation. The insulation of high rise blocks is more technically difficult than treating lower rise buildings and has not been carried out to the same level by local authorities. However, it is important that such blocks are future-proofed and their occupants benefit from reduced bills and improved thermal comfort in the same way as occupants of cavity-walled properties. The external walls of Arlington House, which are steel framed with concrete cladding, are not insulated. It is estimated that the project will save an average of £245 per year from each resident's heating bills. This estimate derives from national Carbon Emissions Reduction Target (CERT) figures published by OFGEM and applied to the specific local housing stock types. This would lead to a saving of around £75k per annum across all the properties in the project. In addition there would be a saving of around £1.6m on averted future concrete repairs. This estimate is based on historic costs of concrete repairs for these buildings, extrapolated over the expected life of the external wall insulation.

EWI would help to reduce damp due to condensation which can form on the external walls of poorly insulated properties.

The proposed works would also offer economic benefits for Islington residents as the tender will require contractors to bring training, employment and business opportunities to Islington.

A previous Procurement Strategy was approved in Jan 2014 and the contract was awarded in March 2016 with an approved budget of £4.25m. The contractor subsequently raised their price, however, and it was agreed at the council's internal Affordable Energy Board that the project should be re-tendered with Section 106 Carbon Offset Funding to be considered for any increase in cost.

3.2 **Estimated Value**

£ 2.68m of Council Capital has been committed to the project with the remaining £2.63m required to meet a project cost of £5.31m to be met from Section 106 Carbon Offset Funding.

The estimated value of the contract is £4.9m based on the last price submitted by the contractor previously awarded the contract. The works are expected to take 12 -18months.

This tender is for a one-off package of works and as such there has not been previous spend. A reduction of budget may make it impossible to carry out the works.

The Council have previously explored the possibility of obtaining Energy Company Obligation (ECO) funding towards this project. However recent quotes from brokers have indicated that the three high rise blocks can expect around £50k of ECO, considerably less than the cost of the necessary installer guarantees and compliance requirements quoted at £98k in the previous tender procedure. As such we will not be seeking ECO for the three high rise blocks. We will seek ECO for work at Arlington House.

The tender will also include the conversion of the ground floor of Haliday House into two flats and internal communal decoration work at Ilex House as it will reduce resident disruption and may make a cost saving to carry these works out with the insulation. However, the cost of these items, should they proceed, will be met from other Housing budgets.

3.3 **Timetable**

The proposal to re-tender was agreed at the council's internal Affordable Energy Board and although there is no current contract due to expire or statutory deadlines it was agreed that the project should be tendered at the earliest opportunity due to resident expectation and expected future price increases. The anticipated timetable to achieve this is:

Joint Board – January 2017

Executive – February 2017

Advert – February 2017
 Tender Return - March/April 2017
 Contract Award – Late April /May 2017.

3.4 Options appraisal

The previous 2 stage tender process only received two responses at ITT stage, and as a result it has been decided that would be beneficial to use an Open Procedure tender process, which will invite tenders from the widest possible number of organisations. This procurement route is expected to achieve a more competitive price compared to alternative procurement procedures, such as using frameworks. The necessary resources and skills do not exist within the council to carry out specialist works of this scale. It would not be appropriate to collaborate with other organisations as all of the properties to be insulated are in the council's own stock.

3.5 Key Considerations – References to social value and impact on staff

The tender will ask contractors to commit to providing 1 apprenticeship for each £1m spent on contracts as well as giving them the opportunity to outline what other social benefits they will bring to Islington residents including the employment of local labour.

15% of the evaluation criteria in the tender will be awarded for proposed methodology for undertaking and delivery of works, and another 10% for Quality Management /Contract Management & Supervision to drive Best Value in the delivery of the contract.

It is estimated that the cost of insulating each property will be considerably more expensive than in other external wall insulation (EWI) works: approximately £16,000 per property as opposed to £6,260 at Neptune House (2013) and £7,837 at Holly Park (2013). As noted in section 3.1, however, the rainscreen cladding would protect the structure of the building, making an estimated saving of £1.6m in averted concrete repairs over the lifetime of the product. Solid-walled properties lose 45% of their heat through the walls and it is not possible to tackle fuel poverty through heating measures without addressing building fabric.

The project would result in the following uplifts in SAP ratings to tenanted properties¹

SAP Band	Tenanted properties in the scheme	E to D	D to C	C to B	No change
No. of Properties	267	1	7	14	245

The high quality design produced by Islington Architects will also bring regeneration benefits to the buildings. Previous EWI projects at Neptune House and Holly Park have shown high levels of resident satisfaction with the new look of the blocks.

A London Living Wage Report, Environmental Implications and a Resident Impact Assessment have been carried out for the contract.

There are no TUPE, Pensions and Staffing implications associated with the contract.

3.6 Evaluation

The tender will be conducted in a single stage, via an Open Procedure tender. The Open Procedure includes minimum requirements which the organisation must achieve before their tender is considered in detail.

Contractors would be assessed as follows:

Cost: 60%

¹ Figures are not available for the 37 Leasehold properties in the proposed project

Quality: 40% - Broken down into:

- Proposed methodology for undertaking and delivery of works (15%)
- Proposed Quality Management /Contract Management & Supervision (10%)
- Proposed approach to Health & Safety (5%)
- Proposed approach to Social Value (5%)
- Proposed approach to Customer Care (5%)

3.7 Business Risks

The major business risk associated with this procurement is that tenders will exceed the available budget. Tender price inflation is likely to occur in the near future, and this effect may be exacerbated by the rising cost of materials imported from mainland Europe due to the fall in the value of the pound. Key elements of the proposed rainscreen cladding system are manufactured in Belgium. The best way to manage this risk is to procure with minimum delay. Should the price of the winning tender exceed the available budget it may be possible to increase the Section 106 Carbon Offset Fund contribution, but this would have to be weighed against other energy efficiency projects that could benefit from COF funding.

Specific legal advice has stated that leaseholder recharges are not applicable to external wall insulation (EWI) works as the work is over and above normal landlord responsibility and is carried out by the Council to meet priorities around fuel poverty and carbon emissions, rather than as a landlord to improve properties. This has been the case with previous EWI projects and will be included in communications to residents. It will be important that leaseholders are aware that this exemption from re-charges does not apply to any other works carried out at the same time.

There are no service user implications to be considered associated with this procurement.

3.8 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. The adequacy of these measures will initially be assessed by officers and the outcome of that assessment will be reviewed by the Council's Procurement Board

3.9 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 project will deliver external wall insulation (EWI) to 304 properties in the council's housing stock at Arlington House, Gambier House, Holiday House and Ilex House See paragraph 3.1
2 Estimated value	The estimated contract value is £4.9m & project value of £5.31m (including professional fees) See paragraph 3.2
3 Timetable	Joint Board – 17th January 2017 Executive – 9th February 2017 Advert – 16th Feb 2017 Tender Return 31st March

	<p>Contract Award – Late April</p> <p>See paragraph 3.3</p>
4 Options appraisal for tender procedure including consideration of collaboration opportunities	<p>The tender should be conducted using a single stage Open Tender Procedure.</p> <p>See paragraph 3.4</p>
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	<p>The tender will require contractors to commit to providing 1 apprenticeship for each £1m spent on contracts targets as well as giving them the opportunity to outline what other social benefits they will bring including local employment.</p> <p>LLW has been considered and will be applied as part of the specification and the Contract conditions that will govern the contract for the provision insulation.</p> <p>15% of the evaluation criteria in the tender will be awarded for proposed methodology for undertaking and delivery of works and another 10% for Quality Management /Contract Management & Supervision to drive Best Value in the delivery of the contract.</p> <p>There are no TUPE, pensions and other staffing implications</p> <p>See paragraph 3.5</p>
6 Evaluation criteria	<p>The overall award criteria will be 60% cost /40% quality. The award criteria price/quality breakdown is described in more detail within the report.</p> <p>See paragraph 3.6</p>
7 Any business risks associated with entering the contract	<p>The main business risk associated with the project is that inflation and rising material costs will give rise to high tender returns. The best mitigation available for this is a speedy procurement.</p> <p>See paragraph 3.7</p>
8 Any other relevant financial, legal or other considerations.	<p>See paragraph 4</p>

4. Implications

4.1 Financial implications

The High Rise Insulation Project has secured £4,270,793 funding which is split between capital receipts (£2,680,721) and Carbon Offset Funding (£1,590,072) which was allocated by Executive in September 2016.

On the 5th December 2016 the council's internal Affordable Energy Board approved an increase of

Carbon Offset Funding to £2,631,884 for the High Rise Insulation project and officers were instructed to continue procurement.

The total budget for the project now stands at £5,312,605.

4.2 **Legal Implications**

The council has power to provide external wall insulation to its housing properties and installations therein (Part 2 of the Housing Act 1985 and section 111 of the Local Government Act 1972). The Council has power to enter into works contracts under section 1 of the Local Government (Contracts) Act 1997 on the basis that such services are properly required for the discharge of the Council's functions. The Executive may provide Corporate Directors with responsibility to award contracts with a capital value over £5,000,000 (council's Procurement Rule 16.2). Delegated authority is being sought in order to enable the works to proceed without delay.

The estimated value of the proposed contract is above the threshold for application of the Public Contracts Regulations 2015 (currently £4,104,394.00). Therefore this contract must be procured with advertisement in the Official Journal of the European Union and with full compliance of the Regulations. The council's Procurement Rules also 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 service 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.

4.3 **Environmental Implications**

The main environmental impact of the works would be a positive one in terms of reduced carbon emissions from domestic heating, which is the biggest single energy use in domestic properties.

Many of the products used in insulation can be specified at A+ rating using the Building Research Establishment's Green Guide to Specification, however the use of cement has high amount embodied energy. Expanded Polystyrene Sheet (EPS) used in solid wall insulation is given an A+ rating by BRE's green guide to specification which assesses a material across a range of 14 potential environmental impacts. EPS is used in wide variety of construction, catering and packaging applications including disposable coffee cups and takeaway trays.

It does however contain the fire retardant hexabromocyclododecane (HBCD). HBCD is a persistent, bio-accumulating fire retardant however when used in solid wall insulation, contractors will be required to ensure that EPS is fully sealed behind render or rainscreen cladding system and therefore will not be exposed. It is unavoidable for EPS to be cut and rasped on site as it will need to fit the exact contours of buildings. Contractors will be required to have procedures in place to minimise the dispersal of EPS debris and clear up debris that is released into the environment. EPS is a lightweight material and breaks into small particles so there may be traces left behind even after best efforts to contain and clear, however the HBCD is trapped within the matrix of the polystyrene materials such that it cannot escape. The material is non-toxic and will not contaminate ground or water.

Any potential impacts on local biodiversity arising from the works will be identified and mitigated before the project begins. Any waste created during the works will have to be disposed of in line with legislation, which requires prioritisation of reuse and recycling.

4.4 **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.

A Resident Impact Assessment was completed on 24 November 2016 and the summary is included below:

The procurement and resulting provision of external wall insulation will not be discriminatory for people with any of the protected characteristics. The resulting reduction in heating costs and improved thermal comfort will be of especial benefit to elderly, disabled residents and parents of young children who are likely to spend longer than average time in the home. The reduction in the cost of heating homes will be of particular benefit to low income residents.

The insulation will be applied to all properties on the blocks and there will be no re-charges to leaseholders. As a result the project should have no negative impact on relations between communities with protected characteristics and the rest of the population.

Low income residents are particularly vulnerable to fuel poverty and in many cases are not able to heat their homes to an adequate temperature. Cold homes have been shown to have a negative impact on physical and mental health and educational attainment in children. By increasing the ability of low income residents to adequately heat their properties the insulation will help to reduce these health and educational inequalities.

5. Reason for recommendations

- 5.1 The project will improve the living standards and reduce cost of living for residents in 304 homes, bringing many vulnerable residents out of fuel poverty in the process. Eighty-eight percent of properties in the four blocks in the scheme are tenanted. The cost of carrying out the works will be offset by savings in maintenance costs over the life of the buildings. The works will also offer employment and training opportunities for Islington residents.

The project supports the council's priorities:

Helping residents with the rising cost of living
Making Islington a place where our residents have a good quality of life
Helping residents who are out of work to find the right job.

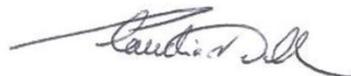
Final Report clearance:

Signed by:



30 January 2017

Executive Member for Housing and Development



30 January 2017

Executive Member for Environment and Transport

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