



## Key Decision Report of the Corporate Director of Housing

<b>Officer Key Decision</b>	<b>Date: 09/08/2019</b>	<b>Ward(s): Caledonian</b>
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<b>Delete as appropriate</b>		Non-exempt
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## **SUBJECT: Procurement Strategy for Harry Weston Estate Communal Heating Distribution Renewal (2020)**

### **1. Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of Harry Weston Estate Communal Heating Distribution Network Renewal (2020) in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2 The proposed scope of works is the installation of a new heating distribution circuit, and new heating and hot water equipment in the homes, replacing the existing equipment. Additionally, minor changes in the plant room will be made to fully capitalise on available energy savings.

### **2. Recommendations**

- 2.1 To approve the procurement strategy for Harry Weston Estate Communal Heating Distribution Network Renewal (2020) as outlined in this report.

### **3. Date the decision is to be taken:**

09 August 2019

### **4. Background**

- 4.1 All 124 homes on the Harry Weston Estate are connected to the communal heating system which was installed during the construction of the blocks in 1978. There are a total of 78 leaseholders at the estate, leaving only 46 council tenanted properties. The estate is managed

by a Co-op and they have replaced some components on an ad-hoc basis during this time, including the newly installed boilers, and most recently a heat exchanger in the plant room to separate the primary and secondary heating circuits. The majority of the heating plant, however, is over 40 years old. The Co-op have asked the council to replace the heating distribution due to the ongoing issues.

The council is proposing the installation of a new two-pipe secondary circuit at Harry Weston Estate; replacing the heating system’s main distribution pipework, heating and hot water equipment in the homes, as well as minor changes within the plant room to capitalise on energy savings. However, the existing boilers will remain and not be replaced as part of these works.

#### 4.2 Estimated Value

The estimated value of project is £1,900,000 over a 16-month period. The project will be funded from the Housing Investment capital budget for 2020-21.

A reduction in budget would put a hold on these works until funding was re-allocated. Further delays to these works would likely result in additional spend on reactive maintenance to the failing heating system.

The Council shall prepare an outline design and specification that is transparent to all bidders, this will enable bidders to submit accurate tenders that are both specific and competitive with respect to this district heating installation contract, thus reducing the likelihood of bidders providing inflated cost for unknown elements of this project.

Savings have been built into the proposed works by keeping the existing boilers as they have a remaining life expectancy of approximately twelve years.

Part of the existing district heating system has exceeded its economic life expectancy. By carrying out the proposed replacement works we will significantly improve the heating system reliability whilst reducing maintenance and operating costs. The proposed works are forecast to have a lower lifecycle cost and more effectively deliver heating to residents, as per our legislative requirement.

#### 4.3 Timetable

Section 20 Notice of Intent (Part 1)	September – November 2019
Published tender	November – December 2019
Evaluation	December 2019
Section 20 Notice of Estimate (Part 2)	January – March 2020
Contract award	April 2020
Anticipated Contract Start On Site	June 2020

#### 4.4 Options appraisal

Existing framework agreements which are currently being implemented for the major works programme have all excluded communal heating renewal works. The scope of communal heating works can vary significantly from project to project depending on the existing system arrangement, age and condition such that they have been deemed unsuitable for schedule of rates/framework agreements.

Discussions have taken place with Camden in 2016/17 to assess whether collaboration between the two councils was possible. Following various meetings, it was concluded that it was in the interest of both organisations to procure works separately. A restricted tender was not deemed to be suitable as it would require additional administrative input to complete the tender. The preferred procurement route is a competitive tender through the open procedure. This was deemed to be most appropriate as there is anticipated to be a smaller number of organisations within the market who could deliver this type of service.

#### 4.5 Key Considerations

Best value has been considered in terms of balancing the need to deliver this project by procuring through the open market. This process should produce a large number of bids which in turn should deliver Value for Money. Value engineering exercises were undertaken to reduce the programme and costs without compromising the quality of the works

#### 4.6 Social Value

The contractor shall appoint one apprentice as per the terms of the contract award.

When the paving around the estate is being reinstated following the excavation works, there will be an opportunity to make improvements. Broken, and/or sunken slabs around the estate will be rectified, which will lead to a safer and nicer-looking environment for the residents.

#### 4.7 Evaluation

The tender will be conducted in one stage, known as the Open Procedure, as the tender is 'open' to all organisations who express an interest. The Open Procedure includes minimum requirements which organisations must meet before the rest of their tender is evaluated.

Award criteria of 60% cost and 40% quality has been adopted to ensure the best price and quality outcomes are obtained for both the Council and the residents. The winning tender will be the most economically advantageous tender based on the highest combined cost and quality score.

The 40% quality criteria shall be made up of questions relating to:

- Proposed approach to planning, implementing, undertaking and delivery of the works, including consideration of social value - 20%
- Proposed approach to communicating and liaising with residents - 10%
- Proposed approach to managing service failure of the heating system - 10%

#### 4.8 Business Risks

The contractor will be required to demonstrate the correct operation of the system. In order to ensure this is completed to a satisfactory degree, retention payments shall be held by the Council until such time that the end of defects and liability period is signed off by the Council's Client Representative.

The responsibility for all access into residential dwellings to complete the works will ultimately lie with the contractor. The Council will assist with this process where necessary, however no claims for time spent arranging access will be permitted within this contract. Customer communication and liaison shall also form part of the quality award criteria to ensure this aspect of the contract is managed effectively.

The contractor will also be required to fulfil the council's insurance requirements for professional indemnity, public liability, employer's liability and private liability to value specified. The user operating cost should decrease with the installation of smart, efficient equipment.

4.9 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 complete an 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.

4.10 The following relevant information is required to be specifically approved in accordance with rule 2.8 of the Procurement Rules:

<b>Relevant information</b>	<b>Information/section in report</b>
1 Nature of the service	Renewal of Harry Weston Estate communal heating distribution pipework, and heating/hot water appliances in the homes.  See paragraph 4.1
2 Estimated value	The estimated value is £1,900,000.  The agreement is proposed to run for a period of 16 months.  See paragraph 4.2
3 Timetable	The timeline is outlined in this report.  See paragraph 4.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	Outcomes of options appraisal are described within this report.  See paragraph 4.4
5 Consideration of: Social benefit clauses; London Living Wage; Best value;	London Living Wage to be included in contract.  TUPE not applicable.  See paragraph 4.5 for more information.

TUPE, pensions and other staffing implications	
6 Award criteria	The cost and or price/quality breakdown is 60% cost; 40% quality. 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 in this report.  See paragraph 4.7
8 Any other relevant financial, legal or other considerations.	See section 5.

## 5. Implications

### 5.1 Financial implications:

The 16/17 Capital Programme approved on 27th July 2015 included £2,002,000 for Communal Heating projects at three locations, one being Cowdenbeath Path Estate (Harry Weston Co-op) for Plant room upgrades at £980,000.

Due to the lapse of time and increasing call-outs & breakdowns a comprehensive review of the options based on current technology and prices was included within the feasibility report. The feasibility study approved in May 2019 has an estimated value of £1,900,000 an increase of £920,000 to cover the expanded brief.

Neither of the other two projects approved as part of the 16/17 programme have been completed to date and based on this project both would be expected to far exceed their original estimates.

Bevin Court (original £432,000) now has a pre tender estimate of £1,500,000 an increase of £1,068,000 and Newbery House (original £590,000) is to be retendered. In summary, the cost of this project (Cowdenbeath Path) can be contained within the overall approved allocation of £2,002,000, however additional resources of no less than £1,068,000 will be required for the two remaining projects.

#### Harry Weston Co-op

Item	Original budget £	Current £	Change £
Cowdenbeath Path	980,000	1,900,000	920,000
Total	<b>980,000</b>	<b>1,900,000</b>	<b>920,000</b>

#### Communal Heating Budget 16/17

Project	Original budget £	Current £	Change £
Cowdenbeath Path	980,000	1,900,000	920,000
Bevin Court	432,000	1,500,000	1,068,000
Newbery House	590,000	590,000 +	? tba

Total	<b>2,002,000</b>	<b>3,990,000 +</b>	<b>1,988,000 min</b>

The Co-op's fund surplus is considered healthy and there was some acknowledgement at the outset that the Co-op would be able to retrospectively contribute to the cost of the communal heating works at Cowdenbeath Path which could ultimately reduce leaseholder contributions. Any Co-op contribution will need to be negotiated and will not impact on scheme delivery.

## 5.2 Legal Implications:

The Council is responsible for undertaking the repair, maintenance and improvement of its housing properties and installations therein (Part 2 of the Housing Act 1985 and section 111 of the Local Government Act 1972). The Council may enter into contracts with providers of such services/works under section 1 of the Local Government (Contracts) Act 1997.

The proposed contract is a contract for the installation of heating distribution circuits, new heating and hot water equipment in homes and in the plant room to capitalise on available energy savings, which is classified as a 'works' contract for purposes of the Public Contracts Regulations 2015 (the Regulations). The total estimated value of the contract is £1,900,000. The threshold for application of the Regulations is currently £4,551,413 for works contracts. The value of the proposed contract is below this threshold. Contracts below this threshold must be procured in compliance with the principles of equal treatment, non-discrimination and transparency underpinning the Regulations.

The Council's Procurement Rules also require works contracts over the value of £1,000,000 to be subject to a formal competitive tender process. The proposed procurement strategy, to advertise a call for competition and procure the contract using a competitive tender process (open procedure), 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 relevant tenders providing value for money for the Council.

The contract is for a period in excess of 12 months and therefore will be qualifying long term agreements under section 20 of the Landlord and Tenant Act 1985. Accordingly, the Council will need to comply with the leaseholder consultation requirements applicable to long term qualifying agreements set out in the Service Charges (Consultation Requirements) (England) Regulations 2003 (as amended).

## 5.3 Environmental Implications

The project comprises the installation of a new two-pipe heating circuit which will feed all of the homes in the estate. The installation works will result in the use of materials and energy, and the contractor travelling to site. Obsolete equipment including old pipework, radiators, hot water cylinders and associated controls will become waste, which will need to be disposed of. To mitigate this, all waste will be disposed of by a certified waste disposal company. Excavation works will be necessary to route the new pipework, however this pipework is located shallow beneath the paved communal areas of the estate, minimising excavated material. Nuisance such as noise and dust are potential issues, but screens will be in place if mitigation against dust is necessary. There is also a potential risk of biodiversity disturbance if works are carried out in areas inhabited by protected species such as wall spaces and lofts, and these risks will have to be mitigated by the contractor.

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.

#### **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.

A Resident Impact Assessment was completed on 30 May 2019. The completed Resident Impact Assessment is appended.

#### **6. Reasons for the decision: (summary)**

- 6.1 Parts of Harry Weston Estate's existing heating distribution network are no longer fit for purpose. This capital project will install a new distribution network to provide efficient, reliable heating to the estate adding significant social and environmental value as outlined in this report.

#### **7. Record of the decision:**

- 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:**

Maxine Holdsworth  
Corporate Director of Housing

Date 24/07/2019

#### **Appendices**

- Resident Impact Assessment

Report Author: Calum Finlay  
Tel: Ext 3914  
Email: [calum.finlay@islington.gov.uk](mailto:calum.finlay@islington.gov.uk)

Financial Implications Author: Gary Cockburn  
Tel: 020 7527 4347  
Email: [gary.cockburn@islington.gov.uk](mailto:gary.cockburn@islington.gov.uk)

Legal Implications Author: David Daniels  
Tel: Ext 3277  
Email: [david.daniels@islington.gov.uk](mailto:david.daniels@islington.gov.uk)