

Key Decision Report of the Corporate Director of Housing

Officer Key Decision	Date: 05/09/2019	Ward(s): Clerkenwell
Delete as appropriate		Non-exempt

SUBJECT: Procurement Strategy for Bevin Court and Holford House Communal Heating Renewal (2020)**1. Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of Bevin Court and Holford House Communal Heating Renewal (2020) in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2 The proposed scope of works is to renew the circulation pumps within the plant-room and sections of the distribution pipework between the plant room and properties, which provide the district heating service to Bevin Court and Holford House. The proposal is to also replace and upgrade the associated heating and hot water equipment within the dwellings.

2. Recommendations

- 2.1 To approve the procurement strategy for Bevin Court and Holford House Communal Heating Renewal (2020) as outlined in this report.

3. Date the decision is to be taken:

13 September 2019

4. Background

- 4.1 Bevin Court is a tri-wing Grade II* listed building that was built 1954 and is located in Cruikshank Street, London WC1. The building houses 118 dwellings. Holford House was also built in 1954 and is covered under the same Grade II* listing. The building is located just south-west of Bevin Court on Great Percy Street. There are 12 purpose built maisonettes within Holford House. There is a combined total number of 130 dwellings, including 44 leaseholders. Of these leasehold properties there are four which are located in Bevin Court that have been previously disconnected from the communal heating system. A feasibility study with options appraisal for different approaches to the heating work is attached as an appendix to this report.

4.2 Estimated Value

The estimated value of project is £1,500,000 over a 16-month period. It is intended that 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 a 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 likeliness of bidders providing inflated cost for unknown elements of this project.

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's reliability with the aim of reducing maintenance and operating costs. The proposed works are forecasted to have a lower lifecycle cost and will deliver the heating service to residents more effectively and efficiently, as per our legislative requirement.

4.3 Timetable

Section 20 Notice of Intent (Part 1)	December – February 2020
Published tender	January – March 2020
Evaluation	April 2020
Section 20 Notice of Estimate (Part 2)	May – July 2020
Contract award	August 2020
Anticipated Contract Start On Site	September 2020

4.4 Options appraisal

The scope of communal heating works can vary significantly from project to project being dependant on the existing system arrangement, age and condition and as such, 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 has been concluded that it was in the interest of both organisations to procure works separately.

It would not be feasible for the council to undertake this work itself as it does not employ staff with the requisite skills and experience and is unlikely to be able to do so given current market salaries.

A restricted tender was deemed to be unsuitable, as it would require additional administrative input to complete the tender.

The preferred procurement route is to seek a competitive tender through the open procedure. This is seen to be the most appropriate method as it is anticipated that a smaller number of organisations within the market place are capable of delivering this type of service.

4.5 Key Considerations

Best value in terms of balancing the need to deliver this project by procuring through the open market has been considered. This process should produce a large number of bids, which in turn should deliver Value for Money. Value engineering exercises have been 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 and conditions of the contract award.

4.7 Evaluation

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

Award criteria of 60% cost and 40% quality and 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 standard, retention payments will be held by the Council. Retention is held until the completion of the defect liability period and 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 the contract.

Customer communication and liaison shall also form part the quality award criteria to ensure this aspect of the contract is addressed and 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:

Relevant information	Information/section in report
1 Nature of the service	Renewal of Bevin Courts' distribution pipework, pumps and heating/hot water equipment in the homes. See paragraph 4.1
2 Estimated value	The estimated value is £1,500,000. The proposed agreement is to run for a period of 16 months. See paragraph 4.2
3 Timetable	The timeline is as outlined within this report. See paragraph 4.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	Outcomes of options appraisal have been 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	London Living Wage to be included in contract. TUPE not applicable. See paragraph 4.5 for more information.
6 Award criteria	The cost and or price/quality breakdown is 60% cost;

	40% quality. The award criteria price/quality breakdown is described in detail within the report. See paragraph 4.6
7 Any business risks associated with entering the contract	Business risks have been 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 Bevin Court Estate for Plant room upgrades at £432,000.

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 February 2019 has an estimated value of £1,500,000 an increase of £1,068,000 to cover the expanded brief.

To date neither of the other two projects approved as part of the 16/17 programme have been completed and based upon the subsequent time lapse, all three projects would be expected to exceed their original estimates.

In summary, taking into account the revised cost of Cowdenbeath Path (Coop) Harry Weston at £1,900,000 and the revised cost of this project at £1,500,000 (Bevin Court) this will exceed the original approved programme allocation of £2,002,000, by £1,398,000 and additional resources of no less than £1,988,000 will be required for this and the other remaining project. Newbery House (original £590,000) which is to be retendered.

Item	Original budget £	Current £	Change £
Bevin Court Estate	432,000	1,500,000	1,068,000
Total	432,000	1,500,000	1,068,000

Communal Heating Budget 16/17

Project	Original budget £	Current £	Change £
Cowdenbeath Path	980,000	1,900,000	920,000
Bevin Court Estate	432,000	1,500,000	1,068,000
Newbery House	590,000	590,000 +	? tba
Total	2,002,000	3,990,000 +	1,988,000 min

Whilst the above indicates growth of £2m against the scheme specific budget it should be noted that Property Services are more recently adopting a more holistic approach to these types of complex M&E schemes whereby a wider scope of works are carried out at one time, as compared to waiting for individual component elements to fully expire before replacement - this has been assessed as representing improved value for money over the long term.

As such this short term growth is in fact offset by future years' capital budget savings.

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 works to renew the pumps and pipework from the plant room which feed Bevin Court and Holford House and upgrading the heating and hot water system within the dwellings, 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 £1,500,000. 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 renewal of the distribution pumps and pipework from the plant room feeding the estate, and the upgrading of the heating and hot water equipment within the homes. 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 of the waste produced will be disposed of by a certified waste disposal company.

Minor excavation works will be necessary to install the new pipework serving Holford house, as this pipework is located underground. This is only the case for a small section of the pipework, 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 to be carried out in areas inhabited by protected species

such as wall spaces or communal balcony areas, 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 The distribution pumps and sections of the distribution pipework from the plant room and the heating equipment within the homes are past their recommended life expectancy. The components are in urgent need of replacement. This capital project will provide a more reliable and efficient heating system, as well as adding 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:

Corporate Director of Housing

Date

Appendices

- Feasibility Study
- Resident Impact Assessment

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