

Environment  
Islington Town Hall  
Upper Street, N1 2UD

Report of: Corporate Director of Environment

Date: 18 August 2022

Ward(s): Laycock and Caledonian

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## Subject: Procurement Strategy – Public Sector Decarbonisation Scheme funded works at the Waste Recycling Centre

### 1. Synopsis

- 1.1. This report seeks pre-tender approval for the procurement strategy in respect of Public Sector Decarbonisation Scheme (PSDS) funded works at the Waste Recycling Centre (WRC) as well as roofing works at the WRC in accordance with Rule 2.8 of the Council's Procurement Rules.
- 1.2. The Council has secured funding from the PSDS to carry out energy efficiency and low carbon heating works at the WRC.
- 1.3. A wider programme of works is planned at the WRC, including roofing works. It is necessary to carry out the roofing works ahead of the installation of solar PVs, which is part of the PSDS funded works at the WRC. This will be a single project covering all work packages.

### 2. Recommendations

- 2.1. To approve the combined procurement strategy for the PSDS funded works and for the roofing works at the WRC as outlined in this report. The total estimated

value is £2,402,141.

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

3.1. 30 August 2022

## 4. Background

### **Nature of the service**

- 4.1. This project is directly in line with the Vision 2030 for the council, since the net zero strategy includes the commitment to begin replacing gas boilers in the Council's corporate properties with electrical heating and improve energy efficiency, as well as assessing the properties solar power capability. This project includes the installation of air source heat pumps (AHSP) and installation of solar photovoltaic panels (solar PVs).
- 4.2. The recommended option is to use the Fusion 21 Decarbonisation framework agreement Lot 2 - Decarbonisation of Public & Education Buildings to appoint a single contractor to carry out all work packages. This is a quick and efficient route to market. The framework agreement has been designed for specialist decarbonisation works which can be combined with the roofing works.
- 4.3. The contract will be managed by the Community Wealth Building Capital Delivery team. The Energy Services team will oversee the progress of the project as the Client Lead for the Council and they will liaise with Salix (the public body administering the PSDS grant) to ensure the PV project is in line with the grant conditions.
- 4.4. Due to the PSDS grant conditions, all PSDS measures (including the solar PVs at the WRC) need to be carried out by 31 March 2023. Therefore, it is considered more efficient to appoint a single contractor both for the roof works and PSDS measures, to ensure where possible works can be done in parallel and completed within this financial year. Any delays to the PV works would put the PSDS grant for this project at serious risk.

4.5. The following works will be carried out at the WRC as part of this project:

- PSDS measures:
  - o Installation of air source heat pumps (ASHP)
  - o Replacement of air handling units
  - o Installation of additional solar PVs
- Non PSDS measure:
  - o Roofing works

#### **Details of the roofing works at the WRC**

4.6. A roof survey carried out at the WRC in 2021 found a large number of roofing defects with the existing roof covering.

4.7. To ensure WRC roof has a long life expectancy, the following works have been recommended:

<b>Measure / works</b>	<b>Estimated cost</b>
Plant Room Roof - Improvements and upgraded construction detailing including new rainwater goods.	£50,000
Plant Room Roof - Removal of the existing single ply roof coverings and wholesale replacement with high performance felt system and tapered insulation to create adequate falls to drainage outlets.	£96,000
Main Tipping Hall Roof - Supply and installation of a safety access steel platform walkway system	£72,000
Office Roof - Liquid applied overlay to the entire roof surface	£380,000
Contingency	£90,000
Access and security	£100,000
<b>Total costs</b>	<b>£788,000</b>

4.8. Full details of the WRC roofing works are listed in Appendix 2.

#### **Details of the energy efficiency and low carbon heating measures (PSDS works)**

4.9. In 2021 the Energy Services team commissioned feasibility studies at the WRC, which identified the most suitable measures and costs for energy efficiency measures and low carbon heating works. The works recommended in the study will result in a significant reduction in CO2 emissions as well as reduced energy costs, contributing to council priorities. These studies allowed the Energy Services team to apply for PSDS grant funding.

### Estimated value

4.10. This is a new project with an estimated total value:

Building name / Cost type	Cost of programme	Grant Funding (PSDS)	Internal Match Funding	Type of match funding
WRC / PSDS costs	£1,614,141	£951,831	£662,310	Net Zero Carbon capital budget
WRC / Roofing costs	£788,000	£0	£788,000	CWB Directorate
<b>Total</b>	<b>£2,402,141</b>	<b>£951,831</b>	<b>£1,450,310</b>	

4.11. Estimated costs are based on feasibility studies and estimates from the CWB Capital Delivery team. Note that the match-funding for the PSDS measures is capital funding and is included in the Net Zero Carbon capital programme for 2022/23 and 2023/24.

### Estimated value – air source heat pumps and air handling units

4.12. Estimated value for all PSDS measures at the WRC apart from solar PV:

Building name / Cost type	Cost of program	Source of funding
WRC – Air Source Heat Pumps and Air Handling Units.	£1,196,994	PSDS grant funding + match-funding
<b>Total</b>	<b>£1,196,994</b>	

4.13. Under the Fusion 21 Decarbonisation Framework, an indirect 2% to 3% fee (£23,940 to £35,910) will be charged to the supplier, which could raise the overall spend to £1,220,934 - £1,232,904.

4.14. The works are more than 50% funded by the PSDS external grant funding.

### Estimated value – roofing works and solar PV works

4.15. Estimated value for roofing works at the WRC and solar PV at the WRC:

Building name / Cost type	Cost of program	Source of funding
WRC – roofing works	£788,000	CWB budget
WRC – solar PVs	£417,147	PSDS grant funding + match-funding
<b>Total</b>	<b>£1,205,147</b>	

4.16. Under the Fusion 21 Decarbonisation Framework agreement, an indirect 2% to 3% fee (£24,103 to £36,154) will be charged to the supplier, which could raise the overall spend to £1,229,250- £1,241,301.

#### Timetable

4.17. Estimated timeline:

Tender documentation issued	September 2022
Deadline for clarification from suppliers	September 2022
Tender return deadline	October 2022
Evaluation of tenders	October 2022
Award of contract	November 2022
Contract start	November 2022

#### Options appraisal

##### Option 1: doing the works in-house

4.18. See below the benefits and drawbacks of doing the works in-house:

	Works in-house
Benefits	<ul style="list-style-type: none"> <li>• Sole management of the project covering the project life cycle from RIBA work stages 0-7 by in-house staff.</li> <li>• Specification can be tailored ensuring, acceptable timeframes for delivery, quality of works and experience of working on buildings whose operations are 24/7 and critical to the council.</li> <li>• Demonstrates value for money.</li> </ul>

	<ul style="list-style-type: none"> <li>• Ability to allocate dedicated staffing resources and time to deliver the project.</li> </ul>
Drawbacks	<ul style="list-style-type: none"> <li>• Islington Council does not have all the relevant technical and professional staff in-house to deliver this complex and highly technical project.</li> <li>• This project requires a high level of specialist and highly qualified professional staff covering a wide range of differing professional disciplines.</li> <li>• Using in-house staff would be a high risk strategy as the Council will be carrying all the risks relating to producing highly technical specifications, which if found to be incorrect or late would lead to delays in project delivery.</li> <li>• Should the Council deliver the project late this will lead to the possible withdrawal of government funding for the PV's. If this was the case, then the Council would have no redress to seek compensation in delivering the project late.</li> </ul>

4.19. Although the option of solely delivering this project in-house has been considered, it has been found the full range of highly professional staff to procure this project are not available within the Council. Therefore, it is recommended not to move forward with option 1.

**Options appraisal**

**Option 2: collaboration with another borough**

4.20. The works are to be carried out to Islington corporate buildings and they result from a bid to the PSDS by the Council. Due to the nature of the funding, collaboration with another local authority would not now be appropriate for this project, therefore no further analysis of benefits and drawbacks have been considered.

**Options appraisal**

**Option 3: conducting a competitive tender process**

4.21. See below the benefits and drawbacks of conducting a competitive tender process:

	<b>Competitive tender</b>
Benefits	<ul style="list-style-type: none"> <li>• Reach the wider market of contractors, not all contractors are on frameworks.</li> <li>• More control on seeking tenders from contractors based in or local to Islington.</li> <li>• A better relationship with the contractor as they have a direct relationship with the Council.</li> <li>• Framework agreement fees would not apply.</li> <li>• Specification and scoring of the tendered documents can be tailored ensuring, acceptable timeframes for delivery, quality of the project of working on buildings whose operations are 24/7 and critical to the Council.</li> </ul>
Drawbacks	<ul style="list-style-type: none"> <li>• Longer process to appoint a contractor than using an existing framework agreement.</li> <li>• Requires greater resources than using an existing framework agreement.</li> <li>• Contractors can be more risk adverse and claims conscious compared to framework contractors.</li> <li>• No guarantees on receiving a good number of tender returns.</li> </ul>

### **Options appraisal**

#### **Option 4: using Fusion 21 Decarbonisation framework agreement (recommended option)**

4.22. See below the benefits and drawbacks of using Fusion 21 Decarbonisation framework agreement:

	<b>Fusion 21 Framework</b>
Benefits	<ul style="list-style-type: none"> <li>• The Fusion 21 Decarbonisation framework agreement is designed to provide public sector organisations with a simplified means of sourcing decarbonisation projects and related improvement works across the built environment.</li> </ul>

	<ul style="list-style-type: none"> <li>• This framework agreement also allows for the appointment of highly skilled and knowledgeable roofing contractors who can be appointed under a single contract.</li> <li>• The framework agreement is recognised and well established used by many local authorities.</li> <li>• The framework agreement contractors have been pre-vetted regarding their financial stability, quality of work experience to ensure they have the relevant skills to carry out this project.</li> <li>• The framework agreement ensures contractors have excellent experience of working on buildings whose operations such as the WRC operate 24/7 which is critical to the council.</li> <li>• More robust chance of obtaining value for money and good quality tenders from an agreed list of contractors.</li> <li>• Less claims conscious – contractors will be looking to build long term relations with the Council.</li> <li>• A quicker and secure route to procuring a contractor for this project.</li> </ul>
Drawbacks	<ul style="list-style-type: none"> <li>• There is an indirect cost for using Fusion 21 framework agreement of between (2%-3%) which suppliers may add onto their tender for this project.</li> <li>• You can only procure and appoint a contractor listed on the Fusion 21 framework agreement.</li> <li>• Some internal staff resources are required to complete the procurement process.</li> <li>• If all the listed contractors are busy you will have to delay the tender process or seek to use an alternative framework.</li> </ul>

4.23. It is recommended this project is procured using the Fusion 21 Decarbonisation framework agreement. The main advantages of using a framework agreement are the reduced time required to complete the procurement process, the reduced risk of contractual issues occurring, plus the comfort the framework contractor has the skills and experience to carry out all the required works.

4.24. The proposed framework agreement is designed to provide a ‘whole building approach’ to non-domestic buildings in the UK. This will include fabric,



renewables, building management system and controls, and improvements works covering the range of works in PSDS bid.

- 4.25. This framework has been designed and used effectively for specialist decarbonisation projects and also provides access to established and skilled roofing contractors who can be appointed to carry out the joint Roofing, PV's and Heat Pump / Air Handling works under a single combined project. All suppliers on this framework agreement is PAS2035 compliant and Trustmark accredited (not a requirement for PSDS but shows a higher level of quality of installation and retrofit process).

### **Key Considerations**

- 4.26. Islington Council is committed to shaping and promoting a local economy that is underpinned by the principles of equality and fairness, economic, environmental and social justice. This builds on work undertaken in response to the Islington Fairness Commission and is part of Islington Council's overarching vision of working towards a fairer Islington.
- 4.27. The contractors will be required to report on the number of Islington SME's used, and residents employed for the delivery of this contract. They will be asked to contribute to talks in schools and other educational establishment in Islington during the course of the works. The social value commitment offered by bidders for this project will be assessed specifically during the tender exercise.
- 4.28. The framework agreement includes a list of social value credits (see full list in Appendix 3), we request the contractor to provide at least the following measures:
- Career advice / presentation / workshop
  - Work experience – 1 person. The Council is committed to delivering positive social value benefits for Islington residents, working closely with schools and through the World of Work Programme <https://www.islingtoncs.org/wow> to offer exposure to wide range of jobs and skills within the remit of environmental works. We expect the contractor to make an active contribution to this programme.
  - 3 x Accredited training
  - 1 x Non-accredited training
- 4.29. The council is committed to supporting young people through providing apprenticeship opportunities. We are keen to see this also reflected through our contractors.

- 4.30. The council is also keen to practical steps to provide opportunities for long-term unemployed individuals who are not in education, employment or training (NEET). This includes ex-offenders in order to give them a second chance in life so they can better themselves, have a long-term future and continue with the growth of their local community. A requirement of this contract is that all entry-level posts will be required to be recruited through council's iWork, where around 400 skilled local job seekers are registered and ready to start work.
- 4.31. In addition to increased employment for locals, we would like to see practical steps taken to reach out to and employ people from disadvantaged backgrounds, such as young people, particularly those with low or no qualifications, who face significant barriers to a very challenging labour market, and Black, Asian, and Minority Ethnic populations who research shows have been disproportionately impacted by the COVID-19 pandemic.
- 4.32. London Living Wage will be a requirement of the contract for all employees working on the project.
- 4.33. The project is a Design and Build contract which must be delivered as per the terms of the PSDS grant and as per LBI's requirements. We consider this as a pilot project that will be followed by many retrofits of our corporate buildings under the PSDS scheme and is therefore an opportunity for the Council to learn valuable lessons as we progress through the project milestones.
- 4.34. We will appoint a Multi-Disciplinary Consultant (MDC) to provide technical support and assistance to enable LBI to deliver this project. The MDC will assist in drawing up the output specification to ensure the energy efficiency and low carbon heating measures for this project are designed and built in a way that ensures a high level of carbon reduction as well as reduces energy bills.
- 4.35. The project will have a positive sustainability benefit by reducing carbon emissions from the site and provide economic benefits to the Council by reducing energy consumption at a time of rapidly increasing energy costs.
- 4.36. There are no TUPE, pension or staffing implications with this project.

### **Evaluation**

- 4.37. It is proposed to use Fusion 21 Decarbonisation framework agreement with a single main contractor covering all the key elements of this project (Roofing, PV's, Heat Pumps and Air Handling Units). This will lead to better control over design,

site production and coordination of Health and Safety matters. A single point of contact for any queries will be a more efficient method of managing the overall project from start to finish. As the roofing works are time-critical, they can begin while the design and specifications for the PV's and the Heat Pumps & Air Handling Units HSP are being confirmed and agreed.

4.38. The tender will be conducted through a mini-competition under which all suppliers from the Fusion 21 Decarbonisation framework agreement will be invited to bid.

4.39. Tenders will be evaluated on the basis of the tenderer's price and ability to deliver the contract works as set out in the award criteria in order to determine the best value for money for the council, as well as ability to deliver the works within the timeframe set out by the Salix grant.

4.40. Proposed cost / quality award criteria:

Type of criteria	Description	Weight [%]
Cost	Cheapest sustainable bid achieves the highest score, all other bids get a pro-rata score	25%
Quality	Overall	75%
Quality will further be broken down into:		
Quality	Proposed methodology for delivering a combined roofing, PV's and Heat Source project, including how to meet funding timescales (including a programme of works in the form of a Gantt chart, with contingency)	30%
Quality	Proposed approach to Health and Safety	5%
Quality	Proposed approach to ensuring suitable resources are in place to deliver the contract	10%
Quality	Proposed approach to working in occupied buildings and in conjunction with other projects on site	5%
Quality	Proposed approach to quality (including environmental sustainability) and contract management	5%

Quality	Proposed approach to social value	20%
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**Business risks**

- 4.41. The main business risk to this project is the need to complete the PV works before 31<sup>st</sup> March 2023. This means there is a very tight timeline to deliver project at a time when there may be a shortage of skilled suppliers. Starting the procurement process early, writing specifications and other procurements documents will be important in mitigating this risk. The requirement to meet 31<sup>st</sup> of March 2023 timeline will also be written into the tender documents and the Form of Contract.
- 4.42. The WRC, roofing works need to be completed prior to the installation of solar PVs, adding an extra challenge to completing all PSDS works before 31<sup>st</sup> March 2023. This risk is mitigated by combining the key works packages into a single project, managed by a single contractor.
- 4.43. The installation of Air Source Heat Pumps and Air Handling Units in corporate buildings is a new and technical process will offer an opportunity to reduce energy bills at a time of rapidly rising prices. The use of external MDC specialist technical support will ensure the maximum amount of bill saving is written into the tender documentation and design.
- 4.44. There is a clear risk in carrying out the works in buildings while they are in use and any disruption and health and safety risk to staff/contractors at the WRC. Early consultation with facilities management premises managers will be held to discuss building use and the winning contractor will be required to carry out proper segregation of the works from building operatives. Particular issues will be to understand if there will be any loss of power during the installation of Heat Pumps and Air Handling Units. These works may need to be carried out outside of normal working hours and will require careful scheduling to minimise disruption.
- 4.45. 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.

4.46. 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	The works are on behalf of the Councils Energy Team to tackle environmental and climate issues and to bring the Councils estate in line with its corporate policy of Net Zero Carbon strategy.
2. Estimated value	The estimated value for 12 months is £2,402,141
3. Timetable	See paragraph 4.17
4. Options appraisal for tender procedure including consideration of collaboration opportunities	See paragraphs 4.18 to 4.25
5. Consideration of: <ul style="list-style-type: none"> <li>• Social benefit clauses;</li> <li>• London Living Wage;</li> <li>• Best value;</li> <li>• TUPE, pensions and other staffing implications</li> </ul>	See paragraphs 4.26 to 4.36
6. Award criteria	See paragraphs 4.37 to 4.40
7. Any business risks associated with entering the contract	See paragraphs 4.41 to 4.45
8. Any other relevant financial, legal or other considerations.	See paragraphs 5.1 to 5.9

## 5. Implications

### **Financial Implications**

- 5.1. As stated in Paragraph 4.10 the total cost of the programme is £2.402m of which £0.952m is PSDS grant funding and £1.450m is match funding provided by the Council and split between Environment/CWB. The Environment match funding of £0.662m is from the 'Energy – Retrofitting Existing Council Buildings' programme and the CWB match funding of £0.788m is from the 'Compliance & Modernisation Programme' (and programmes were approved by Council on 3 March 2022).

### **Legal Implications**

- 5.2. The council is responsible for undertaking the repair, maintenance and improvement of its 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 contracts of this nature under section 1 of the Local Government (Contracts) Act 1997. The Corporate Director of Community Wealth Building can award contracts with a value of up to £5 million capital spend (council's Procurement Rule 18.1.1)
- 5.3. The proposed contract is a contract for works which is below the threshold of £5,336,937 for application of the Public Contracts Regulations 2015 (the Regulations). The council's Procurement Rules require contracts of this value to be subject to competitive tender. The proposed procurement strategy is to call off from the Fusion 21 Decarbonisation framework agreement which is in compliance with the principles underpinning the Regulations and the council's Procurement Rules.
- 5.4. On completion of the call-off process the contract may be awarded to the selected framework contractor subject to the contract price providing value for money for the council.

### **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030**

- 5.5. The delivery of the measures will have some environmental impacts during their implementation. These include material and energy use as well as the requirement to remove and dispose of existing infrastructure (original lighting, windows, heating system). There is also potential for some nuisance issues such as noise to neighbouring properties during construction. There will also be some travel-related impacts by the contractors. The main environmental implication will be the reduction of overall energy use through the energy efficiency measures to be installed and the change from gas to electricity to provide heating through the

installation of Air Source Heat Pumps and the removal of gas boilers. This will reduce carbon emissions and reduce local air pollution. The amount of carbon savings will increase as the electricity grid is decarbonised through renewables. The installation of Solar PV at the WRC will decrease the amount of electricity drawn from the grid further driving down carbon emissions.

### **Equalities Impact Assessment**

- 5.6. 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.
- 5.7. An Equalities Impact Assessment was completed on 23<sup>rd</sup> March 2022. The main findings are attached as an appendix 1.
- 5.8. The WRC building should be warmer, watertight and more comfortable for all staff and third parties who use the building following completion of all the works.
- 5.9. Discussions are being held with FM Premises Managers at the WRC to understand the operations of the building and how works can be carried out to minimize disruption to building users. This insight will then be used to inform the specification and management of the contractor to ensure works are delivered with minimum disruption.

## **6. Conclusion and reasons for the decision**

- 6.1. To ensure the Council meets its PSDS grant funding for this project which includes new Roofing, new PVs and new Heat Pump & Air Handling Unit works.
- 6.2. And that there is a very short delivery period in which the PSDS grant funded works have to be completed by, this been 31<sup>st</sup> March 2023.
- 6.3. It is recommended the WRC Roofing, PVs and Heat Pump & Air Handling Unit works are procured via the Fusion 21 Decarbonisation Framework agreement as it offers a shorter procurement time than conducting a competitive tender process and offers less risks to the Council.

Record of the decision

6.4. 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 Environment**

Date:

#### **Appendices:**

- Appendix 1: Equalities Impact Assessment
- Appendix 2: Details of the WRC roofing works
- Appendix 3: Fusion 21 decarbonisation framework social value credits used for assessing bidders

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#### **Background papers:**

- None

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